

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

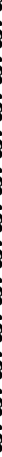
**BRIAN PARKER, MICHAEL FRANK,  
MARK DAILEY, and JEREMY COZART,  
on behalf of themselves and all  
others similarly situated,**

*Plaintiffs,*

**v.**

**ABC DEBT RELIEF, LTD. CO., THE  
DEBT ANSWER, LLC, LLOYD WARD,  
P.C. D/B/A LLOYD WARD &  
ASSOCIATES, LLOYD REGNER,  
and LLOYD WARD,**

***Defendants.***



**Civil Action No. 3:10-CV-1332-P**

**PLAINTIFFS' MOTION TO STRIKE DEFENDANTS' AFFIDAVIT SUBMITTED IN  
SUPPORT OF THEIR REPLY OR IN THE ALTERNATIVE MOTION FOR LEAVE TO  
FILE A SURREPLY**

Dated: January 9, 2012

**Charles W. Branham, III**  
Texas Bar No. 24012323  
tbranham@goldfarbbbranham.com

**Jeffrey Goldfarb**  
Texas Bar No. 00793820  
jgoldfarb@goldfarbbbranham.com

**Todd B. Goldberg**  
Texas Bar No. 24072121  
tgoldberg@goldfarbbbranham.com

**GOLDFARB BRANHAM LLP**  
Saint Ann Court  
2501 N. Harwood Street, Suite 1801  
Dallas, Texas 75201  
214.583.2233 (Telephone)  
214.583.2234 (Facsimile)

***Attorneys for Plaintiffs***

## **INTRODUCTION AND FACTUAL DISCUSSION**

Defendants ABC Debt Relief, Ltd. Co. ("ABC"), the Debt Answer, LLC ("Debt Answer"), and Lloyd Regner ("Regner"), (collectively, the "Defendants") filed, for the first time, an affidavit of Melanie Bixler, the alleged "Human Resources Director" for ABC Debt Relief, to support the proposition that they were unable to, over the course of eighteen (18) months to secure payroll records from ADP, one of the largest payroll services in the nation until November 11, 2011 (Doc.160).

*A. Ms. Bixler is not the Human Resources Director*

Despite affirming that she is the "Human Resources Director of ABC Debt Relief, Ltd. Co.," Ricky Longo, the Chief Financial Officer and the Chief Operating Officer of ABC (and the Debt Answer) swore under oath that Ms. Bixler "no longer worked for the company" as of at least July 6, 2011. *See* Deposition of Rickey Longo, July 6, 2011 at page 31, line 9-12 (App. 11). Thus it is difficult to understand how Ms. Bixler could testify via affidavit regarding (1) her current roles as the "Human Resources Director" and (2) her "diligent efforts to secure records from ADP."

*B. Newly disclosed destruction of evidence.*

Ms. Bixler's affidavit further reveals that these Defendants have known, for at least months, that evidence in this case was destroyed. Ms. Bixler states that ADP "destroyed a number of records." *See* Bixler Aff. at 4.<sup>1</sup> Yet these Defendants never informed the Plaintiffs of the same. In fact, on October 3, 2011, Defendants responded to Plaintiffs' Requests for Production regarding destruction of evidence by stating that:

---

<sup>1</sup> This affirmative statement offered by the Defendants is conclusive proof that these Defendants have not maintained proper records of the time worked by their employees.

**REQUEST FOR PRODUCTION NO. 1:** All documents created, sent, received, or exchanged by or between any of the Defendants (including, without limitation, Lloyd Ward, Lloyd Regner, Kevin Devoto, and Rick Longo) discussing, mentioning, or concerning the preservation, destruction, or non-destruction of correspondence, e-mails, timesheets, Defendants' websites, screenshots of Defendants' websites, and any other documents that relate to Plaintiffs' claims or Defendants' defenses in this lawsuit. This request is limited to the time period beginning on July 1, 2010 through the present.

**RESPONSE:** After a diligent search, Defendants can find no responsive documents in their custody or control aside from those already produced in this lawsuit.

See Defendants Response to Plaintiffs Third Request for Production at 1-2 (App. 1-2). Apparently, this response is false. Plaintiffs reserve the right to request spoliation sanctions as a result of this revelation.

*C. Ms. Bixler's Affidavit directly contradicts the testimony of Lloyd Ward*

Ms. Bixler testifies in her affidavit that "ADP destroyed a number of records and was very difficult to deal with." Bixler Aff. at 4. Mr. Ward testified on July 6, 2011 that

We would just request [copies of the paychecks] from ADP and they would give us a printout. Actually they would send you a CD. And they may have been paid through ABC. I think it was Lloyd Ward, but it may have been ABC.

Deposition of Lloyd Ward, July 6, 2011 at 27 (App. 25). Thus, after Ms. Bixler ceased to be working with ABC, Mr. Ward, then counsel for all of the defendants testified that getting documents from ABC was a simple process of asking and receiving.

*D. Defendants undertook no formal discovery to secure documents from ADP.*

Assuming *arguendo* that ADP was actually being "difficult," the Federal Rules of Civil Procedure provide for formal methods of securing discovery from a third party. In the more than eighteen months that this case has been pending, none of these defendants sent any third party discovery requests to ADP (or any other third party). This lack of third party discovery

practice demonstrates the inescapable fact that these Defendants have actually exercised no diligence.

### **LAW AND ARGUMENT**

The Court should strike this affidavit because it is (1) demonstrably unreliable, (2) not supported by the evidence and (3) attempts to introduce new evidence and arguments in the reply brief. In the alternative, the Court should grant the Plaintiffs leave to file a sur-reply. Whether or not a court considers arguments and evidence raised for the first time in a reply brief is a matter of discretion for the court. *Weber v. Merrill Lynch Pierce Fenner & Smith, Inc.*, 455 F.Supp.2d 545, 551 (N.D.Tex. 2006) (Fitzwater, J.). However, if the district court relies on arguments and evidence presented for the first time in a reply brief, the district court should give the non-movant an adequate opportunity to respond. *Vaise Arms, Inc. v. Vais*, 383 F.3d 287, 292 (5th Cir. 2004)(citing *Seay v. Tenn Valley Auth.*, 339 F.3d 454, 481-482 (6th Cir. 2003)).

Here, Defendants have introduced new evidence in a reply brief. Plaintiffs request that this Court strike the affidavit of Melanie Bixler. In the alternative, Plaintiffs request that this Court grant Plaintiffs leave to file a surreply.

### **CONCLUSION**

For the foregoing reasons, Plaintiffs request that this Court stem the tide of filings in what is, at the end of the day, a routine FLSA case involving the failure to pay overtime and strike the latest litigation created filing by these Defendants and which is directly contradicted by the evidence created at or near the time of the acts on which this case is based occurred and the sworn testimony of the Defendants. In the alternative, Plaintiffs request that the Court grant Plaintiffs leave to file a sur-reply.

Dated: January 9, 2012

Respectfully submitted,

By: /s/ Charles W. Branham, III

**Charles W. Branham, III**

Texas Bar No. 24012323

tbranham@goldfarbbranham.com

**Jeffrey Goldfarb**

Texas Bar No. 00793820

jgoldfarb@goldfarbbranham.com

**Todd B. Goldberg**

Texas Bar No. 24072121

tgoldberg@goldfarbbranham.com

**GOLDFARB BRANHAM LLP**

Saint Ann Court

2501 N. Harwood Street, Suite 1801

Dallas, Texas 75201

214.583.2233 (Telephone)

214.583.2234 (Facsimile)

*Attorneys for Plaintiffs*

### **CERTIFICATE OF SERVICE**

On January 9, 2012, I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court, Northern District of Texas, using the CM/ECF system which will send a notice of electronic filing to all counsel of record. I hereby certify that I have served all counsel of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Charles W. Branham, III

Charles W. Branham, III

### **CERTIFICATE OF CONFERENCE**

I hereby certify that I conferred with Dennis Holmgren, counsel for these Defendants pursuant to Local Rule 7.1. Mr. Holmgren Confirmed that these Defendants are opposed to the above motion. Therefore, Plaintiffs submit this motion to the Court for decision.

/s/Charles W. Branham, III

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

**BRIAN PARKER, MICHAEL FRANK,  
MARK DAILEY, and JEREMY COZART,  
on behalf of themselves and all  
others similarly situated,**

*Plaintiffs,*

**v.**

**ABC DEBT RELIEF, LTD. CO., THE  
DEBT ANSWER, LLC, LLOYD WARD,  
P.C. D/B/A LLOYD WARD &  
ASSOCIATES, LLOYD REGNER,  
and LLOYD WARD,**

***Defendants.***



**Civil Action No. 3:10-CV-1332-P**

**APPENDIX IN SUPPORT OF PLAINTIFFS' MOTION TO STRIKE DEFENDANTS'  
AFFIDAVIT SUBMITTED IN SUPPORT OF THEIR REPLY OR IN THE  
ALTERNATIVE MOTION FOR LEAVE TO FILE A SUBREPLY**

Dated: January 9, 2012

**Charles W. Branham, III**  
Texas Bar No. 24012323  
tbranham@goldfarbbbranham.com

**Jeffrey Goldfarb**  
Texas Bar No. 00793820  
jgoldfarb@goldfarbbranhams.com

**Todd B. Goldberg**  
Texas Bar No. 24072121  
tgoldberg@goldfarbbrannham.com

**GOLDFARB BRANHAM LLP**  
Saint Ann Court  
2501 N. Harwood Street, Suite 1801  
Dallas, Texas 75201  
214.583.2233 (Telephone)  
214.583.2234 (Facsimile)

***Attorneys for Plaintiffs***

**INDEX**

<b>Description</b>	<b>App.</b>
Defendants' Response to Plaintiffs' Third Request for Production	1-3
Ricky Longo- July 6, 2011 Deposition	4-18
Lloyd Ward- July 6, 2011 Deposition	19-38

Dated: January 9, 2012

Respectfully submitted,

By: /s/ Charles W. Branham, III

**Charles W. Branham, III**

Texas Bar No. 24012323

tbranham@goldfarbbranham.com

**Jeffrey Goldfarb**

Texas Bar No. 00793820

jgoldfarb@goldfarbbranham.com

**Todd B. Goldberg**

Texas Bar No. 24072121

tgoldberg@goldfarbbranham.com

**GOLDFARB BRANHAM LLP**

Saint Ann Court

2501 N. Harwood Street, Suite 1801

Dallas, Texas 75201

214.583.2233 (Telephone)

214.583.2234 (Facsimile)

*Attorneys for Plaintiffs*

**CERTIFICATE OF SERVICE**

On January 9, 2012, I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court, Northern District of Texas, using the CM/ECF system which will send a notice of electronic filing to all counsel of record. I hereby certify that I have served all counsel of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Charles W. Branham, III

Charles W. Branham, III

**IN THE UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

**BRIAN PARKER, MICHAEL FRANK,  
And MARK DAILEY, on behalf of  
Themselves and other similarly-situated,**

## Plaintiffs

**Y.**

ABC DEBT RELIEF, LTD., CO., THE  
DEBT ANSWER, LLC, LLOYD WARD, P.C.  
D/B/A LLOYD WARD & ASSOCIATES,  
LLOYD REGNER and LLOYD WARD

## Defendants

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840.

CIVIL ACTION NO. 3-10CV1332-P

**DEFENDANTS' RESPONSES  
TO PLAINTIFFS' THIRD REQUEST FOR PRODUCTION**

**To: Plaintiffs, Brian Parker, Michael Frank, and Mark Dailey by and through their attorneys of record, Goldfarb Branham, LLP, Charles W. Branham, III, 2501 N. Harwood Street, Suite 1801, Dallas, Texas 75201**

COME NOW Defendants ABC Debt Relief, Ltd., Co., The Debt Answer, LLC, Lloyd Ward P.C. d/b/a Lloyd Ward & Associates, Lloyd Regner, and Lloyd Ward, (collectively “Defendants”) and serve these Defendants’ Responses to Plaintiffs’ Third Request for Production.

### REQUESTS FOR PRODUCTION

**REQUEST FOR PRODUCTION NO. 1:** All documents created, sent, received, or exchanged by or between any of the Defendants (including, without limitation, Lloyd Ward, Lloyd Regner, Kevin Devoto, and Rick Longo) discussing, mentioning, or concerning the preservation, destruction, or non-destruction of correspondence, e-mails, timesheets, Defendants' websites, screenshots of Defendants' websites, and any other documents that relate to Plaintiffs' claims or Defendants' defenses in this lawsuit. This request is limited to the time period beginning on July 1, 2010 through the present.

**RESPONSE:** After a diligent search, Defendants can find no responsive documents in their

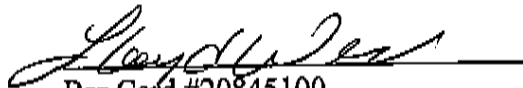


custody or control aside from those already produced in this lawsuit.

**REQUEST FOR PRODUCTION NO. 2:** All documents created, sent, received, or exchanged by or between any of the Defendants (including, without limitation, Lloyd Ward, Lloyd Regner, Kevin Devoto, and Rick Longo) discussing, mentioning, or reflecting any document retention, non-destruction, or litigation hold policies put into place by any of the Defendants or communicated by the Defendants to any of their employees that relate to Plaintiffs' claims or Defendants' defenses in this lawsuit, including, without limitation, any litigation hold memorandum, legal holds policy, or other notices regarding the preservation, destruction, or non-destruction of documents. This request is limited to the time period beginning on July 1, 2010 through the present.

**RESPONSE:** After a diligent search, Defendants can find no responsive documents in their custody or control aside from those already produced in this lawsuit.

Respectfully Submitted,



Bar Card #20845100

Lloyd Ward & Associates, P.C.

12655 LBJ Freeway, Ste. 1000

Dallas, Texas 75243

Telephone (972) 361-0036

Facsimile (972) 361-0039

**ATTORNEYS FOR DEFENDANTS**

**CERTIFICATE OF SERVICE**

I hereby certify that on this 3<sup>rd</sup> day of October, 2011 a true and correct copy of the above and foregoing has been sent to the following counsel of record via hand delivery:

Goldfarb Branham, LLP  
Charles W. Branham, III  
2501 N. Harwood St., Suite 1801  
Dallas, Texas 75201  
ATTORNEYS FOR PLAINTIFFS  
VIA CMRRR: 7010 0780 0000 5394 8057  
& FACSIMILE: 214-583-2234

  
\_\_\_\_\_  
Lloyd Ward

**RICKY LONGO****July 6, 2011**

1 (Pages 1 to 4)

|   |   |
|---|---|
| <p>1 UNITED STATES DISTRICT COURT<br/>2 NORTHERN DISTRICT OF TEXAS<br/>3 DALLAS DIVISION<br/>4 G. CHRIS ONORATO, *<br/>5 *<br/>6 Plaintiff, *<br/>7 VS. * CIVIL ACTION<br/>8 * NO. 3:10-CV-1791<br/>9 ABC DEBT RELIEF, LTD. CO., *<br/>10 LLOYD REGNER AND KEVIN *<br/>11 DEVOTO, LLOYD WARD &amp; *<br/>12 ASSOCIATES AND LLOYD WARD, *<br/>13 *<br/>14 Defendants. *<br/>15 *****<br/>16 ORAL DEPOSITION OF<br/>17 RICKY LONGO<br/>18 JULY 6, 2011<br/>19 *****<br/>20 ANSWERS AND ORAL DEPOSITION OF RICKY LONGO<br/>21 produced as a witness at the instance of the Plaintiff,<br/>22 and duly sworn, was taken in the above-styled and<br/>23 numbered cause on the 6th day of July, 2011 from 12:38<br/>24 p.m. to 2:10 p.m., before Deborah Marks, CSR in and for<br/>25 the State of Texas, reported stenographically, at the<br/>offices of Lloyd Ward &amp; Associates, 12655 LBJ Freeway,<br/>Suite 1000, Dallas, Texas, pursuant to the Federal<br/>Rules of Civil Procedure and the provisions stated on<br/>the record.</p> | <p>3<br/>1 I N D E X<br/>2 WITNESS PAGE<br/>3 RICKY LONGO<br/>4 EXAMINATION<br/>5 BY: Mr. Wood.....4, 49<br/>6 Mr. Ward.....44<br/>7 Changes and Signature.....58<br/>8 Reporter's Certificate.....60<br/>9 EXHIBITS<br/>10 NUMBER DESCRIPTION IDENTIFIED<br/>11 Exhibit 7 Employee Time Cards.....21<br/>12 Exhibit 8 Compensation Report.....22<br/>13 Exhibit 9 Chris Onorato Payroll Analysis.....22<br/>14<br/>15<br/>16<br/>17<br/>18<br/>19<br/>20<br/>21<br/>22<br/>23<br/>24<br/>25</p>  |
| <p>2<br/>1 A P P E A R A N C E S<br/>2<br/>3 FOR THE PLAINTIFF:<br/>4 Mr. Robert J. Wood, Jr.<br/>5 FELL &amp; WOOD, LLP<br/>6 3021 East Renner Road<br/>7 Suite 140<br/>8 Richardson, Texas 75082<br/>9 972.488.8177<br/>10<br/>11 FOR THE DEFENDANTS:<br/>12 Mr. Lloyd Ward<br/>13 LLOYD WARD &amp; ASSOCIATES<br/>14 12655 LBJ Freeway<br/>15 Suite 1000<br/>16 Dallas, Texas 75243<br/>17 972.361.0036<br/>18<br/>19 ALSO PRESENT: Mr. G. Chris Onorato<br/>20<br/>21<br/>22<br/>23<br/>24<br/>25</p>   | <p>4<br/>1 P R O C E E D I N G S<br/>2 RICKY LONGO,<br/>3 having been duly sworn, testified as follows:<br/>4 EXAMINATION<br/>5 BY MR. WOOD:<br/>6 Q. Sir, would you state your name, please.<br/>7 A. <b>Ricky Longo.</b><br/>8 Q. Sir, what's your residential address?<br/>9 A. <b>7804 Rancho de la Osa Trail. It's McKinney,</b><br/>10 <b>Texas 75070.</b><br/>11 Q. Are you employed by ABC Debt Relief?<br/>12 A. <b>Yes.</b><br/>13 Q. Sometimes today I will refer to that as ABC.<br/>14 Okay?<br/>15 A. <b>Okay.</b><br/>16 Q. What is your title there?<br/>17 A. <b>CFO and COO.</b><br/>18 Q. How long have you been employed at ABC?<br/>19 A. <b>Since January of 2010.</b><br/>20 Q. Do you know Chris Onorato?<br/>21 A. <b>Yes, I do.</b><br/>22 Q. Were you able to observe his performance as<br/>23 an employee with ABC?<br/>24 A. <b>To some degree.</b><br/>25 Q. Do you have an opinion about whether he was a</p> |

**RICKY LONGO****July 6, 2011**

2 (Pages 5 to 8)

|  |  |
|--|--|
| <p style="text-align: right;">5</p> <p>1 good employee?</p> <p>2 <b>A. Yes.</b></p> <p>3 Q. Was he a good employee?</p> <p>4 <b>A. He was.</b></p> <p>5 Q. Was he one -- what was his position there?</p> <p>6 <b>A. Sales representative.</b></p> <p>7 Q. Is that -- was that his official title?</p> <p>8 <b>A. I'm not sure.</b></p> <p>9 Q. Could it have been senior debt analyst?</p> <p>10 <b>A. That could be.</b></p> <p>11 Q. Was that one of his titles there?</p> <p>12 <b>A. That is one of his titles.</b></p> <p>13 Q. Was he one of the better debt senior</p> <p>14 analysts?</p> <p>15 <b>A. Well, there's 60 of them so...</b></p> <p>16 Q. How would you determine whether somebody was</p> <p>17 a good senior debt analyst?</p> <p>18 <b>A. Sales. Measure it by sales.</b></p> <p>19 Q. And by that measurement, was Mr. Onorato one</p> <p>20 of the best senior debt analysts there?</p> <p>21 <b>A. At one time, yes.</b></p> <p>22 Q. What time would that be?</p> <p>23 <b>A. It was the middle of January through probably</b></p> <p>24 <b>beginning of April, maybe middle of April.</b></p> <p>25 Q. 2010?</p> | <p style="text-align: right;">7</p> <p>1 phone call, too?</p> <p>2 Q. (By Mr. Wood) You can't ask him. He can't</p> <p>3 help you. You have to just give us your best</p> <p>4 recollection.</p> <p>5 <b>A. That's who was on the original conference</b></p> <p>6 <b>call.</b></p> <p>7 Q. So the conference call was Lloyd Regner,</p> <p>8 Kevin Devoto, Lloyd Ward and Rick Longo?</p> <p>9 <b>A. Yes.</b></p> <p>10 Q. When did that conference call take place?</p> <p>11 <b>A. I believe sometime in September. I don't</b></p> <p>12 <b>know the exact date.</b></p> <p>13 Q. September 2010?</p> <p>14 <b>A. Yes.</b></p> <p>15 Q. And was the decision made in that conference</p> <p>16 call to terminate Mr. Onorato?</p> <p>17 <b>A. Yes.</b></p> <p>18 Q. And what was the reason given for it?</p> <p>19 <b>A. The production that we were paying him had</b></p> <p>20 <b>run out and we saw no way that he'd be able to come</b></p> <p>21 <b>back and fit into the workforce and sell.</b></p> <p>22 Q. Why couldn't he come back and fit in?</p> <p>23 <b>A. Basically because of the allegations in the</b></p> <p>24 <b>lawsuit, it would have been very difficult for him to</b></p> <p>25 <b>perform.</b></p>                         |
| <p style="text-align: right;">6</p> <p>1 <b>A. 2010.</b></p> <p>2 Q. Was he above average the rest of his</p> <p>3 employment there?</p> <p>4 <b>A. Sales volume-wise, no.</b></p> <p>5 Q. What do you attribute that to?</p> <p>6 <b>A. I'm not sure.</b></p> <p>7 Q. Overall, was he one of the -- was he an above</p> <p>8 average employee?</p> <p>9 <b>A. Yes.</b></p> <p>10 Q. Is he still employed by ABC?</p> <p>11 <b>A. No.</b></p> <p>12 Q. Why not?</p> <p>13 <b>A. He was terminated. His employment was</b></p> <p>14 <b>terminated, I believe, in September or October of 2010.</b></p> <p>15 Q. Who made the decision to terminate him?</p> <p>16 <b>A. I'm not sure who made the final decision.</b></p> <p>17 Q. Did you make it?</p> <p>18 <b>A. No, I didn't make it.</b></p> <p>19 Q. Did someone -- how did you learn of</p> <p>20 Mr. Onorato being terminated?</p> <p>21 <b>A. By conference call.</b></p> <p>22 Q. Who was on the conference call?</p> <p>23 <b>A. That would have been Lloyd Regner, Kevin</b></p> <p>24 <b>Devoto and I believe --</b></p> <p>25 <b>THE WITNESS: Lloyd, you were the on the</b></p> | <p style="text-align: right;">8</p> <p>1 Q. Which lawsuit -- which allegations?</p> <p>2 <b>A. Of time and sexual harassment and things that</b></p> <p>3 <b>were clear that we didn't believe were.</b></p> <p>4 Q. I'm sorry. You didn't believe were?</p> <p>5 <b>A. Existed.</b></p> <p>6 Q. You thought his allegations were untrue?</p> <p>7 <b>A. Yes.</b></p> <p>8 Q. But the fact that he made the allegations</p> <p>9 meant that he couldn't come back?</p> <p>10 <b>A. I'm not sure if that's exactly true, but we</b></p> <p>11 <b>didn't see an ability for him to perform if he did come</b></p> <p>12 <b>back.</b></p> <p>13 Q. Well, are you saying he couldn't take phone</p> <p>14 calls anymore?</p> <p>15 <b>A. Our decision was to not go down that road.</b></p> <p>16 Q. Okay. Well, I mean, his job consisted of</p> <p>17 taking phone calls and talking to potential clients,</p> <p>18 right?</p> <p>19 <b>A. Right.</b></p> <p>20 Q. You assume he could still do that, right?</p> <p>21 <b>A. He wasn't performing when he left.</b></p> <p>22 Q. He wasn't performing when he left. What does</p> <p>23 that mean?</p> <p>24 <b>A. His sales were way down.</b></p> <p>25 Q. Okay. But he was still above average, right?</p> |

**RICKY LONGO****July 6, 2011**

3 (Pages 9 to 12)

|  |  |
|--|--|
| <p style="text-align: right;">9</p> <p>1 <b>A. Not at the time that he left, no.</b></p> <p>2 Q. Well, when you say his sales were down, over</p> <p>3 what period of time were they down?</p> <p>4 <b>A. For a few months.</b></p> <p>5 Q. For several months?</p> <p>6 <b>A. Yes.</b></p> <p>7 Q. All right. What documents could we look at</p> <p>8 to prove that?</p> <p>9 <b>A. We have weekly production reports, I believe,</b></p> <p>10 <b>that can show production by sales rep.</b></p> <p>11 Q. Who else was terminated in 2010 for poor</p> <p>12 performance?</p> <p>13 <b>A. Oh, my God. I can't even name all of them.</b></p> <p>14 Q. Well, were there any?</p> <p>15 <b>A. Yes.</b></p> <p>16 Q. Which senior debt analysts were terminated in</p> <p>17 2010 for poor performance?</p> <p>18 <b>A. Many.</b></p> <p>19 Q. You can't name one?</p> <p>20 <b>A. I'd have to look at the list. There were so</b></p> <p>21 <b>many, I don't...</b></p> <p>22 Q. All right. Getting back to my question,</p> <p>23 though, you believed that Mr. Onorato today has the</p> <p>24 ability to take phone calls and deal with customers,</p> <p>25 right?</p>  | <p style="text-align: right;">11</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. I'm going to show you what was marked as</p> <p>3 Exhibit 4 in Mr. Ward's deposition.</p> <p>4 MR. WOOD: Is it all right if we just</p> <p>5 use the same exhibits?</p> <p>6 MR. WARD: If you don't mind, even</p> <p>7 through tomorrow, if we can use one exhibit notebook?</p> <p>8 MR. WOOD: Yes.</p> <p>9 Q. (By Mr. Wood) Is Exhibit 4 an e-mail that you</p> <p>10 sent to Mr. Onorato?</p> <p>11 <b>A. Yes.</b></p> <p>12 Q. It was an e-mail that you sent to</p> <p>13 Mr. Onorato, true?</p> <p>14 <b>A. Yes.</b></p> <p>15 Q. Did Mr. Ward give you that direction?</p> <p>16 MR. WARD: Now I'm going to object. To</p> <p>17 the extent it calls for attorney/client privilege, I'm</p> <p>18 going to instruct you not to answer. If you can,</p> <p>19 answer without going into what we discussed.</p> <p>20 MR. WOOD: Well, I'm going to object to</p> <p>21 the objection because you testified in your deposition</p> <p>22 that the attorney/client relationship started with</p> <p>23 respect to Mr. Onorato when he filed suit. And this is</p> <p>24 before suit was filed.</p> <p>25 MR. WARD: That's okay. But I'm going</p>  |
| <p style="text-align: right;">10</p> <p>1 <b>A. I don't know that.</b></p> <p>2 Q. All right. Well, he is sitting here right</p> <p>3 next to me. He doesn't seem like he's paralyzed. He</p> <p>4 seems like he is okay, doesn't he?</p> <p>5 <b>A. He seems fine.</b></p> <p>6 Q. All right. Do you assume that he is able to</p> <p>7 take phone calls and talk with potential clients today?</p> <p>8 <b>A. Do I assume? I don't assume anything.</b></p> <p>9 Q. All right. You don't know one way or the</p> <p>10 other?</p> <p>11 <b>A. Exactly.</b></p> <p>12 Q. Okay. When was Mr. Onorato told that he had</p> <p>13 been terminated?</p> <p>14 <b>A. I don't know exactly when. It was in the</b></p> <p>15 <b>fall.</b></p> <p>16 Q. But you believe it happened?</p> <p>17 <b>A. Yes.</b></p> <p>18 Q. Did you communicate that to him?</p> <p>19 <b>A. I believe it was our HR department.</b></p> <p>20 Q. Do you know how it was communicated to him?</p> <p>21 <b>A. I'd have to look into it. I'd have to check</b></p> <p>22 <b>and see.</b></p> <p>23 Q. Did everybody on the conference call meaning</p> <p>24 Mr. Regner, Mr. Devoto, Mr. Ward and yourself, did</p> <p>25 everyone concur on the termination decision?</p> | <p style="text-align: right;">12</p> <p>1 to go ahead -- to the extent that we discussed this, as</p> <p>2 the attorney I'm going to instruct you not to answer.</p> <p>3 If you can answer it without disclosing what our</p> <p>4 communications would have been, then you can answer.</p> <p>5 Go ahead.</p> <p>6 MR. WOOD: I don't understand your</p> <p>7 instructions. You're saying he can answer it if he --</p> <p>8 if it's not an attorney/client...</p> <p>9 MR. WARD: If it's not something we</p> <p>10 directly discussed. If it's not something I told him,</p> <p>11 then he can answer it. But if it's something I told</p> <p>12 him in regard to this issue, then the answer is don't</p> <p>13 tell.</p> <p>14 Q. (By Mr. Wood) I don't understand that. I</p> <p>15 doubt you understand that, but go ahead.</p> <p>16 <b>A. I kind of understand that.</b></p> <p>17 Q. Well, let me -- before you answer that, let</p> <p>18 me ask you this. Is it your belief that every time you</p> <p>19 had a discussion with Mr. Ward back then, that it was</p> <p>20 an attorney/client privileged conversation?</p> <p>21 <b>A. Yes.</b></p> <p>22 Q. So every -- so if Mr. Ward picked up the</p> <p>23 phone and said, Rick, we're not happy with the number</p> <p>24 of potential clients that ABC is getting for us; you</p> <p>25 guys need to do better down there, is that an</p> |

**RICKY LONGO****July 6, 2011**

4 (Pages 13 to 16)

|   |   |
|---|---|
| <p style="text-align: right;">13</p> <p>1 attorney/client privileged communication in your mind?</p> <p>2 <b>A. No, that wouldn't be.</b></p> <p>3 Q. Okay. And if Mr. Ward calls and says, Rick,</p> <p>4 we've been getting some complaints from some of our</p> <p>5 customers about one of your debt analysts down there.</p> <p>6 They say he's rude; they say he's not helpful; I'm not</p> <p>7 really sure he should be doing our work anymore, is</p> <p>8 that an attorney/client privileged communication?</p> <p>9 <b>A. That could be. I would -- if it's going to</b></p> <p>10 <b>affect our employee and any action against them, yes, I</b></p> <p>11 <b>would think that would be.</b></p> <p>12 Q. Okay. So you're not going to tell me --</p> <p>13 you're not going to tell me about the conversations</p> <p>14 between you and Mr. Ward which resulted in you sending</p> <p>15 Exhibit Number 4?</p> <p>16 <b>A. No.</b></p> <p>17 Q. All right. You contend that was an</p> <p>18 attorney/client privileged communication?</p> <p>19 <b>A. Yes.</b></p> <p>20 Q. Okay. And just to keep me from having to ask</p> <p>21 you all the questions, so if I asked you about any</p> <p>22 communication you had with Mr. Ward about Exhibit 4 or</p> <p>23 about any of the things that led up to Exhibit 4 being</p> <p>24 said, you wouldn't answer the question because of</p> <p>25 attorney/client privilege?</p> | <p style="text-align: right;">15</p> <p>1 MR. WOOD: I mean --</p> <p>2 MR. WARD: Wait. For purposes of</p> <p>3 clarification when you say that you mean ABC or Lloyd</p> <p>4 Ward &amp; Associates, the employee leasing agreements?</p> <p>5 MR. WOOD: I think you're making a</p> <p>6 speaking objection, Counsel. I wish you would let him</p> <p>7 answer the question.</p> <p>8 Q. (By Mr. Wood) Sir, the question to you is, In</p> <p>9 the summer of 2010, how many employees roughly did ABC</p> <p>10 have?</p> <p>11 <b>A. Under management or...</b></p> <p>12 Q. How many employees, total, roughly did ABC</p> <p>13 have in the summer of 2010?</p> <p>14 <b>A. I'm not exactly sure.</b></p> <p>15 Q. Just give me a ballpark. Was it 50? Was it</p> <p>16 500?</p> <p>17 <b>A. Forty-five.</b></p> <p>18 Q. I'm sorry?</p> <p>19 <b>A. Maybe 45.</b></p> <p>20 Q. I want to go through the different types of</p> <p>21 employees that ABC had. What were the different types</p> <p>22 of employees?</p> <p>23 <b>A. There was client services that we managed for</b></p> <p>24 <b>Lloyd Ward.</b></p> <p>25 Q. Okay. Who else?</p>     |
| <p style="text-align: right;">14</p> <p>1 <b>A. Correct.</b></p> <p>2 Q. All right. You never had the authority to</p> <p>3 fire Mr. Ward's law firm, did you?</p> <p>4 <b>A. No.</b></p> <p>5 Q. And you are not the one that hired him</p> <p>6 either, are you?</p> <p>7 <b>A. No.</b></p> <p>8 Q. What is your understanding of what the</p> <p>9 relationship is between ABC and Lloyd Ward &amp;</p> <p>10 Associates? What was it back in 2010?</p> <p>11 <b>A. More specifically?</b></p> <p>12 Q. What was the relationship in 2010 between ABC</p> <p>13 Debt Relief and Lloyd Ward &amp; Associates?</p> <p>14 <b>A. ABC Debt Relief, we were hired to administer</b></p> <p>15 <b>the program, the debt relief program.</b></p> <p>16 Q. What does that mean?</p> <p>17 <b>A. That means they were contracted to maintain</b></p> <p>18 <b>the employees, maintain the employees' payroll, handle</b></p> <p>19 <b>all the advertising, handle all the management out of</b></p> <p>20 <b>the back room, which the back room would be client</b></p> <p>21 <b>services for part of the business.</b></p> <p>22 Q. What, in 2010 -- like I say, in the summer of</p> <p>23 2010, roughly how many employees did ABC have?</p> <p>24 MR. WARD: For purposes of</p> <p>25 clarification, do you mean --</p>  | <p style="text-align: right;">16</p> <p>1 <b>A. There was client services we managed for ABC</b></p> <p>2 <b>Debt Relief, which is the original company.</b></p> <p>3 Q. All right. Anyone else?</p> <p>4 <b>A. There were employees for the sales force for</b></p> <p>5 <b>Lloyd Ward.</b></p> <p>6 Q. All right.</p> <p>7 <b>A. And I believe that's it.</b></p> <p>8 Q. And ABC was located on the 8th floor of this</p> <p>9 building, right?</p> <p>10 <b>A. Yes.</b></p> <p>11 Q. And all of the people in that space were</p> <p>12 employees of ABC?</p> <p>13 <b>A. They were contracted to -- they were</b></p> <p>14 <b>contracted out, but they were paid by ABC payroll</b></p> <p>15 <b>system.</b></p> <p>16 Q. Everybody was paid by ABC?</p> <p>17 <b>A. Yes.</b></p> <p>18 Q. And you said the first type of employees were</p> <p>19 client services employees managed for Lloyd Ward,</p> <p>20 right?</p> <p>21 <b>A. Yes.</b></p> <p>22 Q. What does that mean?</p> <p>23 <b>A. That means they specifically were taking care</b></p> <p>24 <b>of clients under Lloyd Ward's platform, the business</b></p> <p>25 <b>platform.</b></p> |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 7

**RICKY LONGO****July 6, 2011**

5 (Pages 17 to 20)

|  |   |
|--|---|
| <p style="text-align: right;">17</p> <p>1 Q. What did the ones that are client services<br/>2 for ABC Debt Relief do?</p> <p>3 <b>A. Similar type client services, but for</b><br/>4 <b>accounts that Mr. Ward had nothing to do with.</b></p> <p>5 Q. Well, who did they have something to do with<br/>6 them?</p> <p>7 <b>A. The owners of ABC.</b></p> <p>8 Q. What was the third type of employee? Sales<br/>9 force, Lloyd Ward?</p> <p>10 <b>A. Sales force, Lloyd Ward, yes.</b></p> <p>11 Q. What was that?</p> <p>12 <b>A. That was the sales reps that Khris did,</b><br/>13 <b>managed and marketed for that.</b></p> <p>14 Q. What were Mr. Onorato's job duties?</p> <p>15 <b>A. Specifically, I wasn't the direct sales</b><br/>16 <b>manager. I can't tell you what the duties were.</b></p> <p>17 Q. You don't have any idea?</p> <p>18 <b>A. He was a sales rep, represented sales of the</b><br/>19 <b>product. But as far as specifically how he did it, I</b><br/>20 <b>just -- that was not anything I managed directly.</b></p> <p>21 Q. Did he take telephone calls?</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. Did he talk with people to see if they<br/>24 could -- if they were candidates for debt settlement?</p> <p>25 <b>A. Yes.</b></p> | <p style="text-align: right;">19</p> <p>1 Q. ABC paid them?</p> <p>2 <b>A. Yes.</b></p> <p>3 Q. ABC paid them -- was reimbursed by Mr. Ward?</p> <p>4 <b>A. Yes.</b></p> <p>5 Q. What was the next step in the program?</p> <p>6 <b>A. After that, it was just ongoing debt</b><br/>7 <b>settlement, the actual negotiation with the creditors</b><br/>8 <b>and things that unless they're under contract they're</b><br/>9 <b>managed from anywhere from two and a half to four or</b><br/>10 <b>five years, depending on how long they were signed up</b><br/>11 <b>to help negotiate their debt.</b></p> <p>12 Q. Mr. Ward said earlier the debt was negotiated<br/>13 by his law firm. Is that right?</p> <p>14 <b>A. Yes.</b></p> <p>15 Q. So the debt was negotiated by his law firm<br/>16 rather than ABC?</p> <p>17 <b>A. Yes.</b></p> <p>18 Q. And payments were made by the clients to --</p> <p>19 <b>A. To Mr. Ward.</b></p> <p>20 Q. -- to his law firm?</p> <p>21 <b>A. Yes, to an account that he has.</b></p> <p>22 Q. Was ABC paid by Mr. Ward's law firm for its<br/>23 services?</p> <p>24 <b>A. Yes.</b></p> <p>25 Q. And that's how ABC made its money?</p>                             |
| <p style="text-align: right;">18</p> <p>1 Q. Were there guidelines that he used to<br/>2 determine whether they were candidates?</p> <p>3 <b>A. I believe there were guidelines, yes.</b></p> <p>4 Q. Okay. Could he deviate from the guidelines?</p> <p>5 <b>A. No.</b></p> <p>6 Q. Once he determined somebody was a good<br/>7 candidate for debt settlement, then what happened to<br/>8 it? What was the next step in the program?</p> <p>9 <b>A. The next step in the program was to actually</b><br/>10 <b>execute their agreements, customer service agreements.</b></p> <p>11 Q. Who did that?</p> <p>12 <b>A. The sales reps, they did that.</b></p> <p>13 Q. Mr. Onorato?</p> <p>14 <b>A. Mr. Onorato, yes.</b></p> <p>15 Q. Then what was the next step in the program?</p> <p>16 <b>A. The next step in the program was a welcome or</b><br/>17 <b>quality assurance call from our back office.</b></p> <p>18 Q. And who employed those employees, the quality<br/>19 assurance employees?</p> <p>20 <b>A. Those were leased employees to Lloyd Ward</b><br/>21 <b>that we managed.</b></p> <p>22 Q. Leased to Lloyd Ward?</p> <p>23 <b>A. Yes.</b></p> <p>24 Q. ABC employees that were leased to Lloyd Ward?</p> <p>25 <b>A. Yes.</b></p>           | <p style="text-align: right;">20</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. Is it fair to say that ABC was a sales and<br/>3 marketing company for Lloyd Ward &amp; Associates?</p> <p>4 <b>A. Yes.</b></p> <p>5 Q. So the real -- if you were asked who are the<br/>6 clients of ABC, the clients of ABC would be Lloyd Ward<br/>7 &amp; Associates and the other law firms that ABC worked<br/>8 with?</p> <p>9 <b>A. Yes.</b></p> <p>10 Q. Do you know how many hours per week<br/>11 Mr. Onorato worked?</p> <p>12 <b>A. Not specifically.</b></p> <p>13 Q. Do you have any idea at all?</p> <p>14 <b>A. Our sales reps, depending -- we had some --</b><br/>15 <b>our payroll system had the ability to -- for them to</b><br/>16 <b>log in, but not many of them were super accurate about</b><br/>17 <b>that. They were asked to work 40, but in a lot of</b><br/>18 <b>cases they worked more.</b></p> <p>19 Q. You just don't know how many Mr. Onorato --</p> <p>20 <b>A. I don't know exactly.</b></p> <p>21 Q. Or even a ballpark?</p> <p>22 <b>A. No.</b></p> <p>23 Q. And there aren't any records that would<br/>24 reflect that?</p> <p>25 <b>A. There's time sheets, but I don't think that</b></p> |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 8

**RICKY LONGO****July 6, 2011**

6 (Pages 21 to 24)

|  |   |
|--|---|
| <p style="text-align: right;">21</p> <p>1 <b>they're consistent enough because the reps didn't fill</b></p> <p>2 <b>them enough to be exact. So it took -- tried to keep</b></p> <p>3 <b>track the best we could.</b></p> <p>4 <b>(Exhibit 7 marked)</b></p> <p>5 Q. (By Mr. Wood) Let me show you what I've marked</p> <p>6 as Exhibit 7, and ask you if you recognize that</p> <p>7 document.</p> <p>8 <b>A. Yes.</b></p> <p>9 Q. Do you know how that document was -- well,</p> <p>10 what is that document?</p> <p>11 <b>A. That's the time cards of our Paychex payroll</b></p> <p>12 <b>system. We have a time and labor system that we</b></p> <p>13 <b>asked -- some point in time -- I don't think it was</b></p> <p>14 <b>from the very beginning -- but asked them to fill in to</b></p> <p>15 <b>track the time they were in and out of the office.</b></p> <p>16 Q. And how would the numbers that were on that</p> <p>17 system be input into it?</p> <p>18 <b>A. That would be by the sales reps themselves,</b></p> <p>19 <b>entering the times they get in to entering the times</b></p> <p>20 <b>they leave.</b></p> <p>21 Q. But you don't think it's accurate because the</p> <p>22 sales reps didn't use it as much as they should?</p> <p>23 <b>A. Exactly.</b></p> <p>24 Q. And the company knew that they didn't?</p> <p>25 <b>A. Yes. We tried to get them to be accurate</b></p> | <p style="text-align: right;">23</p> <p>1 marked as Exhibit 9, and ask you if you can tell me</p> <p>2 what that document is.</p> <p>3 <b>A. Just an assumption of hours.</b></p> <p>4 Q. Did you prepare that document?</p> <p>5 <b>A. Yes, I did.</b></p> <p>6 Q. Why did you prepare that document?</p> <p>7 <b>A. Upon request.</b></p> <p>8 Q. Who requested it?</p> <p>9 <b>A. Mr. Ward.</b></p> <p>10 Q. Did he say why he wanted it?</p> <p>11 <b>MR. WARD: Objection. Instruct you not</b></p> <p>12 <b>to answer.</b></p> <p>13 Q. (By Mr. Wood) When did you prepare that</p> <p>14 document?</p> <p>15 <b>A. I would say probably early summer.</b></p> <p>16 Q. Did you try to do an accurate job when you</p> <p>17 prepared it?</p> <p>18 <b>A. Tried to do an accurate job?</b></p> <p>19 Q. Let me ask it this way. Were you trying to</p> <p>20 convey accurate information?</p> <p>21 <b>A. Yes.</b></p> <p>22 Q. You were trying to convey what Mr. Onorato</p> <p>23 would be owed in overtime if he were owed overtime?</p> <p>24 <b>A. I don't remember exactly why we did it. Just</b></p> <p>25 <b>did it.</b></p>                             |
| <p style="text-align: right;">22</p> <p>1 <b>but...</b></p> <p>2 Q. When did the company start using that system?</p> <p>3 <b>A. I can't remember exactly. Early 2010.</b></p> <p>4 Q. Did it use that same system all throughout</p> <p>5 Mr. Onorato's employment?</p> <p>6 <b>A. Once it was started, yes, until...</b></p> <p>7 Q. Can you tell me --</p> <p>8 <b>(Exhibit 8 marked)</b></p> <p>9 Q. (By Mr. Wood) I'm showing you what I've marked</p> <p>10 as Exhibit 8. Can you tell me what Exhibit 8 is?</p> <p>11 <b>A. It's a Paychex compensation report, just what</b></p> <p>12 <b>went through the payroll system.</b></p> <p>13 Q. What's the difference between Exhibit 7 and</p> <p>14 Exhibit 8?</p> <p>15 <b>A. Exhibit 7 is just like a time clock.</b></p> <p>16 <b>Exhibit 8 is actual checks that were processed through</b></p> <p>17 <b>the payroll system.</b></p> <p>18 Q. And Mr. Onorato was paid on a commission only</p> <p>19 basis?</p> <p>20 <b>A. Correct.</b></p> <p>21 Q. And so what the checks reflect are</p> <p>22 commissions that were paid to him?</p> <p>23 <b>A. Commissions and/or bonus, yes.</b></p> <p>24 <b>(Exhibit 9 marked)</b></p> <p>25 Q. (By Mr. Wood) I'm going to show you what's</p>  | <p style="text-align: right;">24</p> <p>1 Q. May I see it back for just a second? How did</p> <p>2 you come up with 11 hours per day?</p> <p>3 <b>A. Actually, off the top of my head, I'm sure.</b></p> <p>4 Q. I'm sorry?</p> <p>5 <b>A. Off the top of my head. I just threw it out</b></p> <p>6 <b>there.</b></p> <p>7 Q. You just threw 11 out there?</p> <p>8 <b>A. Uh-huh.</b></p> <p>9 Q. How did you choose 11 as opposed to 8 or 14?</p> <p>10 <b>A. I don't know.</b></p> <p>11 Q. You don't know?</p> <p>12 <b>A. No. I don't remember.</b></p> <p>13 Q. You must have had some reason for doing it,</p> <p>14 right?</p> <p>15 <b>A. Just to get an idea.</b></p> <p>16 Q. An idea of what?</p> <p>17 <b>A. Idea of what we should pay him.</b></p> <p>18 Q. Did you believe that he worked 11 hours per</p> <p>19 day?</p> <p>20 <b>A. I don't know that for sure.</b></p> <p>21 Q. Did you believe it at the time?</p> <p>22 <b>A. I really don't know.</b></p> <p>23 Q. Let me show you what was previously marked as</p> <p>24 Exhibit 6. This is an e-mail that you received that</p> <p>25 was sent by Mr. Ward on July 7, 2010. You did receive</p> |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 9



**RICKY LONGO****July 6, 2011**

7 (Pages 25 to 28)

|  |   |
|--|---|
| <p style="text-align: right;">25</p> <p>1 that, right?</p> <p>2 <b>A. Yes.</b></p> <p>3 Q. Did you believe that the e-mail was accurate</p> <p>4 when you read it?</p> <p>5 <b>A. I don't recall making that assumption, but...</b></p> <p>6 Q. Well, when it says in the middle of the first</p> <p>7 paragraph that his -- that the calculations were based</p> <p>8 on a 77-hour workweek, did you assume that he worked 77</p> <p>9 hours per week?</p> <p>10 <b>A. Not necessarily, no.</b></p> <p>11 Q. Did you ever -- when you saw that, did you</p> <p>12 correct anyone and say, Hey, he didn't work 77 hours</p> <p>13 per one week?</p> <p>14 <b>A. I didn't address it.</b></p> <p>15 Q. You did your calculation, which is Exhibit</p> <p>16 Number 9, after you got this e-mail or before?</p> <p>17 <b>A. I don't recall.</b></p> <p>18 Q. So you don't know whether Mr. Onorato worked</p> <p>19 40 hours per week or 8. You just have no knowledge of</p> <p>20 it, correct?</p> <p>21 <b>A. I don't.</b></p> <p>22 Q. Who would know besides Mr. Onorato in the</p> <p>23 company? Who would know how many he worked?</p> <p>24 <b>A. Sales manager would know, the best chance.</b></p> <p>25 Q. Who was that?</p> | <p style="text-align: right;">27</p> <p>1 <b>A. I really don't think -- I don't think we</b></p> <p>2 <b>correlated -- I think we correlated the two the same.</b></p> <p>3 Q. Well, no, they're not the same. One guy sent</p> <p>4 an obscene e-mail about -- one guy sent an obscene</p> <p>5 e-mail, Mr. McLain. The other guy didn't, Onorato,</p> <p>6 right?</p> <p>7 <b>A. I really don't know what they did to one</b></p> <p>8 <b>another.</b></p> <p>9 Q. You know McLain sent an obscene e-mail about</p> <p>10 Onorato, correct?</p> <p>11 <b>A. Yes.</b></p> <p>12 Q. You don't have any reason to believe that</p> <p>13 Onorato did the same thing, do you?</p> <p>14 <b>A. I don't know that, no.</b></p> <p>15 Q. All right. And there were discussions about</p> <p>16 both men, about whether they could rejoin the</p> <p>17 organization, right?</p> <p>18 <b>A. No. They didn't happen at the same time at</b></p> <p>19 <b>all.</b></p> <p>20 Q. I didn't say it happened at the same time.</p> <p>21 I'm saying there were discussions about both men about</p> <p>22 whether they could rejoin the organization, right?</p> <p>23 <b>A. Yes.</b></p> <p>24 Q. And the discussion about McLain resulted in</p> <p>25 him rejoining the organization, right?</p>  |
| <p style="text-align: right;">26</p> <p>1 <b>A. Khris Devoto.</b></p> <p>2 Q. Rob McLain was suspended, correct?</p> <p>3 <b>A. Correct.</b></p> <p>4 Q. For sending around an obscene photograph of</p> <p>5 Mr. Onorato?</p> <p>6 <b>A. Yes.</b></p> <p>7 Q. But he was allowed to come back to work?</p> <p>8 <b>A. Yes.</b></p> <p>9 Q. Were you a part of any conference call</p> <p>10 involving him where it was discussed whether he'd be</p> <p>11 about to fit back in and do his job?</p> <p>12 <b>A. A conference call?</b></p> <p>13 Q. Let me ask it a different way.</p> <p>14 Are you aware of any discussion about</p> <p>15 whether because of what Mr. McLain had done, he would</p> <p>16 be able to fit back in and do his job?</p> <p>17 <b>A. Yes.</b></p> <p>18 Q. Who was involved in that discussion?</p> <p>19 <b>A. Kevin Devoto.</b></p> <p>20 Q. Anyone else?</p> <p>21 <b>A. I don't recall. I think there was. I just</b></p> <p>22 <b>don't recall who was.</b></p> <p>23 Q. And what was the difference -- what was it</p> <p>24 that made it possible for Mr. McLain to come back in</p> <p>25 the organization but not Mr. Onorato?</p>  | <p style="text-align: right;">28</p> <p>1 <b>A. Correct.</b></p> <p>2 Q. The discussion about Onorato resulted in him</p> <p>3 not rejoining the organization, right?</p> <p>4 <b>A. Correct.</b></p> <p>5 Q. Why was McLain allowed to rejoin the</p> <p>6 organization and Onorato wasn't?</p> <p>7 <b>A. I can't answer that.</b></p> <p>8 Q. Well, you were involved in the discussions.</p> <p>9 What was the discussion about McLain that resulted in</p> <p>10 him being allowed to rejoin the organization?</p> <p>11 <b>A. Well, I wish I was in the last one. I was</b></p> <p>12 <b>not in the final discussion as far as the details of</b></p> <p>13 <b>what he was expected to do when he returned. That was</b></p> <p>14 <b>between the sales manager, human resources. They</b></p> <p>15 <b>talked to him and put him on a warning not to ever let</b></p> <p>16 <b>that happen again. I mean, I didn't directly have a</b></p> <p>17 <b>conversation. That's just the gist of what we did.</b></p> <p>18 Q. Who was the better performer between Onorato</p> <p>19 and McLain?</p> <p>20 <b>A. I guess it depends on the time frame. Our</b></p> <p>21 <b>reps were up and down --</b></p> <p>22 Q. The time frame is 2010. You judge guys on an</p> <p>23 annual basis, right?</p> <p>24 <b>A. Yes. I would say we judge them more on a</b></p> <p>25 <b>tighter schedule. More on monthly.</b></p> |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 10

**RICKY LONGO****July 6, 2011**

8 (Pages 29 to 32)

|  |  |
|--|--|
| <p style="text-align: right;">29</p> <p>1 Q. But you wouldn't fire somebody because of a</p> <p>2 bad month, would you?</p> <p>3 A. No.</p> <p>4 Q. You would take a broader view and look at</p> <p>5 their annual production?</p> <p>6 A. I don't know if it would be annual. There's</p> <p>7 so many more things involved in that.</p> <p>8 Q. But if someone had been one of your best</p> <p>9 performers earlier in the year but then had a slump,</p> <p>10 you wouldn't fire them for having a bad month or two,</p> <p>11 would you?</p> <p>12 A. No.</p> <p>13 Q. So do you remember Mr. Onorato ever</p> <p>14 complaining about what McLain had done to him?</p> <p>15 A. Yes. He came to my office to complain.</p> <p>16 Q. And what did he tell you?</p> <p>17 A. He e-mailed me the picture that he sent and</p> <p>18 thought it was inappropriate, so he took action.</p> <p>19 Q. Did McLain admit to doing it?</p> <p>20 A. Yes.</p> <p>21 Q. Was Mr. Onorato a team lead at the time?</p> <p>22 A. I don't know the timing. Possibly.</p> <p>23 Q. He was a team lead at one point?</p> <p>24 A. He was a team lead at one point.</p> <p>25 Q. And then he was removed from that position?</p> | <p style="text-align: right;">31</p> <p>1 Q. Did you confront McLain with it?</p> <p>2 A. I did not, no.</p> <p>3 Q. Do you know if anybody did?</p> <p>4 A. Possibly our HR person did.</p> <p>5 Q. Did you hear if the HR person had done so?</p> <p>6 A. Pardon?</p> <p>7 Q. Did you hear that the HR person had done so?</p> <p>8 A. I believe so.</p> <p>9 Q. What's the HR person's name?</p> <p>10 A. Melanie Bixler.</p> <p>11 Q. Is she still with company?</p> <p>12 A. No.</p> <p>13 Q. Are you aware that Mr. Onorato filed for</p> <p>14 unemployment?</p> <p>15 A. Yes.</p> <p>16 Q. Are you aware that there was a hearing where</p> <p>17 Ms. Bixler testified under oath pertaining to his claim</p> <p>18 on the employment?</p> <p>19 A. Yes.</p> <p>20 Q. Was she authorized on behalf of the company</p> <p>21 to be there that day?</p> <p>22 A. Yes.</p> <p>23 Q. Were you listening that day?</p> <p>24 A. No.</p> <p>25 Q. But she was authorized to speak for the</p>  |
| <p style="text-align: right;">30</p> <p>1 A. Yes.</p> <p>2 Q. Why did that happen?</p> <p>3 A. He was removed from that position because he</p> <p>4 was struggling production-wise. So rather than have</p> <p>5 any extra burden on him, we thought he'd be able to</p> <p>6 pull his performance back up if he could concentration</p> <p>7 on just his own.</p> <p>8 Q. Who the made the decision to move him from</p> <p>9 his position?</p> <p>10 A. That would have been our sales manager, and</p> <p>11 the owner, Kevin Devoto, because he basically is the</p> <p>12 sales force behind the company.</p> <p>13 Q. Did Devoto tell you why he made that</p> <p>14 decision?</p> <p>15 A. Yes.</p> <p>16 Q. Was it because -- what was the reason?</p> <p>17 A. To allow him to concentrate and get a chance</p> <p>18 to get his product production back up.</p> <p>19 Q. Did Onorato tell you that McLain had made any</p> <p>20 inappropriate comments to a female employee?</p> <p>21 A. Yes.</p> <p>22 Q. What did he say McLain had said?</p> <p>23 A. I don't recall exactly.</p> <p>24 Q. Was it inappropriate, whatever it was?</p> <p>25 A. I believe so.</p>                                     | <p style="text-align: right;">32</p> <p>1 company?</p> <p>2 A. Yes.</p> <p>3 Q. And she had knowledge about Mr. Onorato's</p> <p>4 situation enough to be able to speak for the company,</p> <p>5 right?</p> <p>6 A. I believe so.</p> <p>7 Q. All right. Were there any other discussions</p> <p>8 about why Mr. Onorato was no longer employed by ABC</p> <p>9 that you know about that you haven't told me about?</p> <p>10 A. I don't know.</p> <p>11 Q. Was it your belief that when he was put on</p> <p>12 suspension, it was just temporary?</p> <p>13 A. Yes.</p> <p>14 Q. And that he would -- and that unless -- okay.</p> <p>15 It was temporary. What -- strike that.</p> <p>16 What was the purpose of him being put on</p> <p>17 suspension initially?</p> <p>18 A. In order just to find out what all the other</p> <p>19 issues were.</p> <p>20 Q. To investigate the claims?</p> <p>21 A. Yes.</p> <p>22 Q. To investigate his issues, right?</p> <p>23 A. His issues, to find out what was going on.</p> <p>24 Q. Was McLain suspended at the same time?</p> <p>25 A. I don't believe so.</p> |

**RICKY LONGO****July 6, 2011**

9 (Pages 33 to 36)

|  |   |
|--|---|
| <p style="text-align: right;">33</p> <p>1 Q. So the man who made the accusations was</p> <p>2 suspended, but the man against whom the accusations had</p> <p>3 been made wasn't suspended initially?</p> <p>4 <b>A. That's not how it happened.</b></p> <p>5 Q. Okay. Mr. Onorato made allegations against</p> <p>6 Mr. McLain, right?</p> <p>7 <b>A. Right, and we addressed it.</b></p> <p>8 Q. So you're saying that Onorato wasn't</p> <p>9 suspended at that time?</p> <p>10 <b>A. No.</b></p> <p>11 Q. When was he suspended? After the letter from</p> <p>12 the attorney?</p> <p>13 <b>A. Correct.</b></p> <p>14 Q. And by the letter to the attorney, I mean</p> <p>15 Exhibit 3, right?</p> <p>16 <b>A. Correct.</b></p> <p>17 Q. Did you see that letter when it came in?</p> <p>18 <b>A. Not immediately, but probably shortly after.</b></p> <p>19 Q. And Mr. Onorato was suspended as a result of</p> <p>20 that?</p> <p>21 <b>A. As a result of the discussion based on</b></p> <p>22 <b>looking into all of that, yes.</b></p> <p>23 Q. So that -- and the purpose of the suspension</p> <p>24 was so the company could investigate his allegations?</p> <p>25 <b>A. Yes.</b></p>  | <p style="text-align: right;">35</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. Sir, how long have you worked in the debt</p> <p>3 settlement business or -- I'm sorry -- the debt</p> <p>4 settlement industry is I guess the way to...</p> <p>5 <b>A. Since January 2010.</b></p> <p>6 Q. Okay. Do you know roughly what percentage of</p> <p>7 Americans need debt settlement help?</p> <p>8 <b>A. Do I know, no, I don't know.</b></p> <p>9 Q. Do you know if it's more than 50 percent?</p> <p>10 <b>A. It depends on the reports you read.</b></p> <p>11 Q. Is there a certain threshold of debt that a</p> <p>12 person has to have in order to be eligible for debt</p> <p>13 settlement help?</p> <p>14 <b>A. I think that probably varies with certain</b></p> <p>15 <b>companies, but...</b></p> <p>16 Q. So it just -- so there's no -- to your</p> <p>17 knowledge, there's no law or regulation on it. It's</p> <p>18 simply a matter of some companies might help somebody</p> <p>19 with \$5,000 in debt and some company might require 20</p> <p>20 grand in debt to get involved. Is that what you mean?</p> <p>21 <b>A. Yes.</b></p> <p>22 Q. All right. If we were to request documents</p> <p>23 showing Mr. Onorato's performance during the time that</p> <p>24 he was there compared to other senior debt analysts,</p> <p>25 what documents would we request?</p> |
| <p style="text-align: right;">34</p> <p>1 Q. What was your understanding as to why it was</p> <p>2 necessary to suspend him while that investigation took</p> <p>3 place?</p> <p>4 <b>A. Sales floors are really delicate and gossip,</b></p> <p>5 <b>bad publicity, bad press, people talking negative</b></p> <p>6 <b>really can just bring a sales floor to a complete stop</b></p> <p>7 <b>or really hurt the sales. So it was because of that.</b></p> <p>8 Q. It was because of the possibility of that, or</p> <p>9 was it because that was happening?</p> <p>10 <b>A. It was because of the possibility.</b></p> <p>11 Q. All right. It hadn't happened yet, correct?</p> <p>12 <b>A. Not to my knowledge.</b></p> <p>13 Q. You took it as a precautionary measure to</p> <p>14 send him home?</p> <p>15 <b>A. Correct.</b></p> <p>16 Q. And the company believed that it would be</p> <p>17 temporary so that it could investigate his allegations,</p> <p>18 right?</p> <p>19 <b>A. Correct.</b></p> <p>20 Q. But it ended up not being temporary when he</p> <p>21 filed the lawsuit, right?</p> <p>22 <b>A. I don't think that was immediate, but</b></p> <p>23 <b>eventually it became that, yes.</b></p> <p>24 Q. And that was the thing that changed</p> <p>25 everything, right, was the filing of this lawsuit?</p> | <p style="text-align: right;">36</p> <p>1 <b>A. Production reports are what come to mind.</b></p> <p>2 Q. And you have those, right?</p> <p>3 <b>A. Yes, we have those.</b></p> <p>4 Q. Was Mr. Onorato ever warned about his</p> <p>5 performance?</p> <p>6 <b>A. Yes.</b></p> <p>7 Q. Who warned him?</p> <p>8 <b>A. I believe Kevin Devoto. I don't know if it</b></p> <p>9 <b>was Khris, too.</b></p> <p>10 Q. Do you know whether when the -- when he was</p> <p>11 removed from being a team lead, his performance</p> <p>12 improved?</p> <p>13 <b>A. I don't recall.</b></p> <p>14 Q. Was he ever written up for poor performance?</p> <p>15 <b>A. I don't know how the sales managers actually</b></p> <p>16 <b>handle that, so I don't know if it was written or if it</b></p> <p>17 <b>was verbal.</b></p> <p>18 MR. WARD: You want to take a break for</p> <p>19 five minutes?</p> <p>20 MR. WOOD: Okay.</p> <p>21 (Recess taken, 1:26 to 1:44)</p> <p>22 Q. (By Mr. Wood) Sir, do you know when</p> <p>23 Mr. Onorato complained about -- when he first</p> <p>24 complained about Mr. McLain?</p> <p>25 <b>A. I don't remember the date.</b></p>  |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 12

**RICKY LONGO**

July 6, 2011

10 (Pages 37 to 40)

|   |   |
|---|---|
| <p style="text-align: right;">37</p> <p>1 Q. Just ballpark when it was.</p> <p>2 <b>A. I don't remember.</b></p> <p>3 Q. All right. One of the things that was</p> <p>4 produced to us in discovery was, I guess, a copy of the</p> <p>5 employee handbook at ABC, and I'll show it to you. One</p> <p>6 of the things it talks about in there is progressive</p> <p>7 discipline.</p> <p>8 Are you familiar with that term,</p> <p>9 progressive discipline?</p> <p>10 <b>A. Yes.</b></p> <p>11 Q. What does that mean to you?</p> <p>12 <b>A. It means you -- if there is an infraction and</b></p> <p>13 <b>basically you violate a policy, that the first time</b></p> <p>14 <b>would be at a certain level of punishment. And if it</b></p> <p>15 <b>continues, it gets progressively worse.</b></p> <p>16 Q. Yes. Maybe a verbal warning the first time</p> <p>17 and a written warning the second and a suspension and</p> <p>18 then maybe termination, something like that?</p> <p>19 <b>A. Yes.</b></p> <p>20 Q. You told me that Mr. Onorato had been</p> <p>21 verbally warned about his performance but never warned</p> <p>22 in writing; is that correct?</p> <p>23 <b>A. I don't know that to be a fact, but I don't</b></p> <p>24 <b>know of anything that I wrote.</b></p> <p>25 Q. When was he verbally warned about his</p> | <p style="text-align: right;">39</p> <p>1 <b>A. Correct.</b></p> <p>2 Q. And there were several people present?</p> <p>3 <b>A. Yes.</b></p> <p>4 Q. How many people?</p> <p>5 <b>A. Probably seven or eight.</b></p> <p>6 Q. Were they all peers of Mr. Onorato, or were</p> <p>7 some of them below him?</p> <p>8 <b>A. It was either management or peers, as far as</b></p> <p>9 <b>sales reps. I don't know that there was any below him.</b></p> <p>10 <b>I don't know what the term below him would be.</b></p> <p>11 Q. Well, somebody -- if you did an</p> <p>12 organizational chart and you put the CEO at the top and</p> <p>13 put you below that and put Mr. Onorato down, was there</p> <p>14 anybody below him on the organizational chart, below</p> <p>15 him that was at that meeting?</p> <p>16 <b>A. I don't recall. Maybe our marketing person</b></p> <p>17 <b>might have been there.</b></p> <p>18 Q. Would you agree with me that given that there</p> <p>19 were six or seven people present that it must not have</p> <p>20 been a very serious reprimand?</p> <p>21 <b>A. It's always serious when you're talking</b></p> <p>22 <b>production.</b></p> <p>23 Q. But it wasn't -- it wasn't a you better</p> <p>24 improve or you're going to be fired kind of talk, was</p> <p>25 it?</p> |
| <p style="text-align: right;">38</p> <p>1 performance?</p> <p>2 <b>A. One time that I witnessed it, and there was a</b></p> <p>3 <b>discussion. Would have been in a team leader meeting.</b></p> <p>4 Q. When was that?</p> <p>5 <b>A. In the springtime sometime. I don't know</b></p> <p>6 <b>exactly when.</b></p> <p>7 Q. Was it March or April?</p> <p>8 <b>A. Yeah, somewhere in that time frame.</b></p> <p>9 Q. And you witnessed it?</p> <p>10 <b>A. Yes.</b></p> <p>11 Q. To the best of your recollection, what was</p> <p>12 said?</p> <p>13 <b>A. The discussions were along the lines of time</b></p> <p>14 <b>spent on the phones.</b></p> <p>15 Q. Too much time?</p> <p>16 <b>A. Not enough time.</b></p> <p>17 Q. Okay. Anything else?</p> <p>18 <b>A. I don't recall all the detail. I mean, I</b></p> <p>19 <b>wasn't the one dictating it. I was just there.</b></p> <p>20 Q. You were there?</p> <p>21 <b>A. Yes.</b></p> <p>22 Q. When it was said, right?</p> <p>23 <b>A. Yes.</b></p> <p>24 Q. And you said the person that said it was</p> <p>25 Kevin Devoto?</p>   | <p style="text-align: right;">40</p> <p>1 <b>A. No.</b></p> <p>2 Q. And, as a matter of fact, when he was</p> <p>3 suspended after his lawyer sent the letter, when he was</p> <p>4 suspended he could have kept work -- he could have kept</p> <p>5 working there had the letter not been sent, right?</p> <p>6 <b>A. Yes.</b></p> <p>7 Q. All right. He worked inside for you the</p> <p>8 whole time, right? He was an inside person, not</p> <p>9 outside?</p> <p>10 <b>A. Yes.</b></p> <p>11 Q. Mr. Onorato, since he was suspended, has</p> <p>12 never been allowed to come back to ABC Debt Relief, has</p> <p>13 he?</p> <p>14 <b>A. Correct.</b></p> <p>15 Q. Who made the decision -- who within ABC made</p> <p>16 the decision to not pay him overtime?</p> <p>17 <b>A. The decision?</b></p> <p>18 Q. Yes. Let me ask it a different way.</p> <p>19 You're familiar with the terms, they're</p> <p>20 exempt employees and there are nonexempt employees,</p> <p>21 right?</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. Who made the decision to classify him as</p> <p>24 exempt and therefore not pay him overtime?</p> <p>25 MR. WARD: Objection, form.</p>   |

**RICKY LONGO****July 6, 2011**

11 (Pages 41 to 44)

|   |  |
|---|--|
| <p style="text-align: right;">41</p> <p>1 Go ahead.</p> <p>2 <b>A. Sales reps were 100 percent commissioned, so</b></p> <p>3 <b>I don't understand how there would be any hourly</b></p> <p>4 <b>request.</b></p> <p>5 Q. (By Mr. Wood) Okay. All right. Who within</p> <p>6 ABC made the decisions on how employees were paid?</p> <p>7 <b>A. That was decided before I joined the</b></p> <p>8 <b>company. That was a matter of record.</b></p> <p>9 Q. Okay.</p> <p>10 MR. WOOD: Can I talk to him for just a</p> <p>11 minute?</p> <p>12 MR. WARD: Sure.</p> <p>13 (Recess taken, 1:50 to 1:52)</p> <p>14 Q. (By Mr. Wood) Sir, I'm going to get the name</p> <p>15 wrong, but was one of your team leads named Edwin --</p> <p>16 his last name is spelled N-Y-A-N --</p> <p>17 <b>A. Nyanweya.</b></p> <p>18 Q. N-Y-A-N-W-E-Y-A. He was one of your team</p> <p>19 leads, right?</p> <p>20 <b>A. Yes.</b></p> <p>21 Q. Just like Mr. Onorato?</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. His performance wasn't as good as</p> <p>24 Mr. Onorato's, was it?</p> <p>25 <b>A. I don't remember exactly. They're all</b></p>  | <p style="text-align: right;">43</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. And on the measure of sales numbers,</p> <p>3 Mr. Onorato was better than Mr. Edwin -- however you</p> <p>4 pronounce his last name -- right? Isn't that correct?</p> <p>5 <b>A. Yes.</b></p> <p>6 Q. Yet Mr. Edwin was never demoted, was he?</p> <p>7 <b>A. No.</b></p> <p>8 Q. Is he still a team lead?</p> <p>9 <b>A. No. He is not in the debt business anymore.</b></p> <p>10 Q. Does he still work for the company?</p> <p>11 <b>A. He works for a different company now.</b></p> <p>12 Q. He doesn't work for ABC?</p> <p>13 <b>A. No.</b></p> <p>14 Q. Which company does he work for, if you know?</p> <p>15 <b>A. He works for CTR Tax Relief.</b></p> <p>16 Q. Why did he leave ABC?</p> <p>17 <b>A. For a better opportunity.</b></p> <p>18 Q. It was his decision?</p> <p>19 <b>A. His decision.</b></p> <p>20 Q. To the best of your knowledge, was he on any</p> <p>21 kind of progressive discipline at the time?</p> <p>22 <b>A. No.</b></p> <p>23 Q. So he could have stayed?</p> <p>24 <b>A. Yes.</b></p> <p>25 MR. WOOD: Pass the witness.</p> |
| <p style="text-align: right;">42</p> <p>1 <b>streaky. I mean, no rep can sell all. I shouldn't say</b></p> <p>2 <b>no rep, but for the most part a majority of our reps</b></p> <p>3 <b>could never sell that consistently, even like kick that</b></p> <p>4 <b>out in any one day.</b></p> <p>5 Q. I'm not really talking about one day. I'm</p> <p>6 asking for an overall assessment.</p> <p>7 Isn't it true that Mr. Onorato was a</p> <p>8 better performer than he was?</p> <p>9 <b>A. He sold more accounts.</b></p> <p>10 Q. And therefore was a better performer, right?</p> <p>11 <b>A. Is that your sole measure?</b></p> <p>12 Q. Well, tell me what else I should be</p> <p>13 measuring.</p> <p>14 <b>A. How many accounts stay on the books.</b></p> <p>15 Q. All right. And are you telling me you've</p> <p>16 done an assessment of how many of Onorato's accounts</p> <p>17 have stayed on the books?</p> <p>18 <b>A. We look at all of our sales reps as far as</b></p> <p>19 <b>cancellation rates, yes.</b></p> <p>20 Q. When Mr. Onorato was demoted, was that</p> <p>21 decision based in part upon failure of his accounts to</p> <p>22 stay on the books?</p> <p>23 <b>A. No.</b></p> <p>24 Q. All right. It was based on sales numbers,</p> <p>25 right?</p> | <p style="text-align: right;">44</p> <p>1 EXAMINATION</p> <p>2 Q. (By Mr. Ward) Just a handful of things for</p> <p>3 you.</p> <p>4 One, I want to make sure that we get</p> <p>5 some clarification. In regard to people that actually</p> <p>6 work for ABC Debt Relief, they're employees. Ones that</p> <p>7 do the sales and marketing, who pays their salary?</p> <p>8 <b>A. ABC.</b></p> <p>9 Q. Are they reimbursed in any form by Lloyd Ward</p> <p>10 &amp; Associates?</p> <p>11 <b>A. No.</b></p> <p>12 Q. And. In fact, is --</p> <p>13 MR. WOOD: Is who reimbursed?</p> <p>14 Q. (By Mr. Ward) Is ABC reimbursed for those</p> <p>15 employees?</p> <p>16 <b>A. No.</b></p> <p>17 Q. Is what ABC -- that's part of what Lloyd Ward</p> <p>18 &amp; Associates hires ABC and that's part of what comes</p> <p>19 with that package, right?</p> <p>20 <b>A. Oh, as far as what we're --</b></p> <p>21 Q. Your employees --</p> <p>22 <b>A. Our performance? Yes.</b></p> <p>23 Q. Sales and marketing.</p> <p>24 <b>A. That is where they're employed, through sales</b></p> <p>25 <b>and marketing.</b></p>                 |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 14

**RICKY LONGO****July 6, 2011**

12 (Pages 45 to 48)

|  |   |
|--|---|
| <p style="text-align: right;">45</p> <p>1 MR. WOOD: Objection to form.</p> <p>2 Go ahead.</p> <p>3 Q. (By Mr. Ward) In regard to the people that do</p> <p>4 either -- and I call them paralegals and you've been</p> <p>5 calling them I believe credit -- what was the term that</p> <p>6 you used? The back-end people that actually talk to</p> <p>7 the creditors?</p> <p>8 <b>A. Negotiators.</b></p> <p>9 MR. WOOD: Object to form, and leading.</p> <p>10 Q. (By Mr. Ward) Okay. Negotiators. With regard</p> <p>11 to negotiators, as I call them paralegals, who pays --</p> <p>12 who initially makes their paycheck? Who pays them?</p> <p>13 Who are their checks issued through?</p> <p>14 <b>A. Through ABC.</b></p> <p>15 Q. And is ABC reimbursed by Lloyd Ward &amp;</p> <p>16 Associates for all that pay?</p> <p>17 <b>A. Yes.</b></p> <p>18 Q. And in regard to the quality assurance</p> <p>19 personnel, who are they paid by?</p> <p>20 <b>A. ABC.</b></p> <p>21 Q. And are they reimbursed by Lloyd Ward &amp;</p> <p>22 Associates?</p> <p>23 <b>A. Yes.</b></p> <p>24 Q. And, in fact, the reimbursement, does that</p> <p>25 also include additional fees paid to ABC for the HR</p> | <p style="text-align: right;">47</p> <p>1 when the letter from the attorney arrived?</p> <p>2 <b>A. Yes.</b></p> <p>3 Q. In regard to sales and marketing, are there</p> <p>4 different -- and you keep referring to them as teams.</p> <p>5 Are different teams made up of people that work</p> <p>6 together in groups in sales and marketing? Is that</p> <p>7 correct?</p> <p>8 <b>A. Yes.</b></p> <p>9 Q. And was one of the problems with bringing</p> <p>10 Mr. Onorato back the fact that after Mr. McLain had</p> <p>11 already been disciplined that suddenly there was a</p> <p>12 lawsuit filed and all of these allegations were</p> <p>13 suddenly being published and so Mr. Onorato would have</p> <p>14 been put back into the group with the very people that,</p> <p>15 one, he was suing their company, and, two, he had made</p> <p>16 the allegations against?</p> <p>17 <b>A. Correct.</b></p> <p>18 MR. WOOD: Objection to leading.</p> <p>19 Q. (By Mr. Ward) Was that part -- at least part</p> <p>20 of what your discussion with Kevin was in regard to</p> <p>21 Mr. Onorato versus Mr. McLain?</p> <p>22 <b>A. Yes.</b></p> <p>23 MR. WOOD: Same objection.</p> <p>24 Q. (By Mr. Ward) Do you feel that after the</p> <p>25 letter and after the lawsuit if Mr. Onorato had been</p>      |
| <p style="text-align: right;">46</p> <p>1 personnel and accounting, the other things that go with</p> <p>2 the leasing program?</p> <p>3 <b>A. Yes.</b></p> <p>4 Q. So ABC may make the initial payment, but</p> <p>5 under the agreement, all those expenses, including</p> <p>6 admin expenses, are reimbursed by Lloyd Ward &amp;</p> <p>7 Associates, correct?</p> <p>8 <b>A. Yes.</b></p> <p>9 Q. Is Mr. McLain still with ABC?</p> <p>10 <b>A. No.</b></p> <p>11 Q. Why was Mr. McLain ultimately let go?</p> <p>12 <b>A. Production.</b></p> <p>13 Q. Okay.</p> <p>14 <b>A. Lack of.</b></p> <p>15 Q. At the time that Mr. McLain was disciplined</p> <p>16 in regard to the letter in the earlier testimony, was</p> <p>17 Mr. Onorato still here?</p> <p>18 <b>A. Yes.</b></p> <p>19 Q. So Mr. Onorato brought the issue to your</p> <p>20 attention, correct?</p> <p>21 <b>A. Uh-huh.</b></p> <p>22 Q. And in response to that, you disciplined</p> <p>23 Mr. McLain, correct?</p> <p>24 <b>A. Correct.</b></p> <p>25 Q. And then after all of that happened, is that</p>  | <p style="text-align: right;">48</p> <p>1 brought back into the group, what was your opinion as</p> <p>2 to what his relations would have been with the rest of</p> <p>3 the group, including Mr. McLain?</p> <p>4 MR. WOOD: Object to form.</p> <p>5 <b>A. I think it would have been an issue. I think</b></p> <p>6 <b>it would have been a distraction and I think there</b></p> <p>7 <b>would have been animosity amongst the floor.</b></p> <p>8 Q. (By Mr. Ward) So it wasn't just production the</p> <p>9 reason that Mr. Onorato was not brought back, correct?</p> <p>10 <b>A. Correct.</b></p> <p>11 Q. Okay. In regard to the work that's done, the</p> <p>12 sales force that is out there, do they work intrastate</p> <p>13 or do they work interstate?</p> <p>14 MR. WOOD: Object to form.</p> <p>15 <b>A. They represent 37 states.</b></p> <p>16 Q. (By Mr. Ward) So Texas is one of those states,</p> <p>17 correct?</p> <p>18 <b>A. Correct.</b></p> <p>19 Q. And do you even know the percentage of the</p> <p>20 clients in Texas as opposed to the other 36 states?</p> <p>21 <b>A. Only ballpark.</b></p> <p>22 Q. What would the ballpark be?</p> <p>23 <b>A. 5, 6, maybe 7 percent, somewhere in that</b></p> <p>24 <b>range.</b></p> <p>25 Q. And the bulk of the work that was performed</p> |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 15

**RICKY LONGO****July 6, 2011**

13 (Pages 49 to 52)

|   |   |
|---|---|
| <p style="text-align: right;">49</p> <p>1 would be interstate, correct?</p> <p>2 <b>A. Correct.</b></p> <p>3 Q. Are all of the sales and marketing conducted</p> <p>4 either over telephone lines or Internet communication</p> <p>5 lines, IP, I believe it is?</p> <p>6 <b>A. Yes.</b></p> <p>7 Q. What is the telephone system again?</p> <p>8 <b>A. It's a voice over IP system.</b></p> <p>9 Q. Which is Internet telephones, correct?</p> <p>10 <b>A. Internet, correct.</b></p> <p>11 Q. So commercial interstate lines are used,</p> <p>12 correct?</p> <p>13 <b>A. Correct.</b></p> <p>14 MR. WARD: I'll pass the witness.</p> <p>15 EXAMINATION</p> <p>16 BY MR. WOOD:</p> <p>17 Q. ABC set up a Web site that was on the</p> <p>18 Internet anywhere in the world really, right?</p> <p>19 <b>A. Yes.</b></p> <p>20 Q. Sir, in the discussions about whether to</p> <p>21 bring Mr. Onorato back or not, was it ever contemplated</p> <p>22 possibly transferring him to a different group so he</p> <p>23 wouldn't be in the vicinity of Mr. McLain?</p> <p>24 <b>A. No.</b></p> <p>25 Q. That was possible to do, wasn't it?</p>                                       | <p style="text-align: right;">51</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. So the only interaction that he would have</p> <p>3 had with Mr. McLain would have been whatever social</p> <p>4 interaction they had just being on the floor together,</p> <p>5 right?</p> <p>6 <b>A. Yes.</b></p> <p>7 Q. How big was the floor?</p> <p>8 <b>A. About 1500 square feet.</b></p> <p>9 Q. Fifteen hundred square feet. And how many</p> <p>10 people were in that area?</p> <p>11 <b>A. About 25, 30.</b></p> <p>12 Q. Would it have been possible to put</p> <p>13 Mr. Onorato and Mr. McLain as far apart as possible?</p> <p>14 <b>A. Yes, that is possible.</b></p> <p>15 Q. Did the company consider bringing Mr. Onorato</p> <p>16 back and giving both him and Mr. McLain a stern</p> <p>17 warning, you guys better get along? If you don't, one</p> <p>18 or both of you is going to be gone?</p> <p>19 <b>A. No.</b></p> <p>20 Q. That wasn't considered or wasn't done?</p> <p>21 <b>A. No.</b></p> <p>22 Q. No what?</p> <p>23 <b>A. It wasn't considered, because it didn't</b></p> <p>24 <b>happen at the same time.</b></p> <p>25 Q. What didn't happen at the same time?</p>   |
| <p style="text-align: right;">50</p> <p>1 <b>A. No.</b></p> <p>2 Q. Why not?</p> <p>3 <b>A. There was no other place to put him. Where</b></p> <p>4 <b>do you put a sales rep except to sell?</b></p> <p>5 Q. How many different teams were there?</p> <p>6 <b>A. They were all on the same floor.</b></p> <p>7 Q. How many different teams were there?</p> <p>8 <b>A. Six.</b></p> <p>9 Q. They didn't have to be on the same team, did</p> <p>10 they?</p> <p>11 <b>A. No.</b></p> <p>12 Q. And isn't it true, sir, that for the most</p> <p>13 part, if you're a senior debt analyst like Mr. Onorato,</p> <p>14 you spent your time either dealing with your other team</p> <p>15 members or dealing with the customers that you're</p> <p>16 talking with on the phone, right?</p> <p>17 <b>A. Supposed to.</b></p> <p>18 Q. That's how -- that's what, in fact, happens,</p> <p>19 right?</p> <p>20 <b>A. Not 24/7.</b></p> <p>21 Q. Right. But I mean --</p> <p>22 <b>A. They talk a lot, the reps.</b></p> <p>23 Q. But the work to be done involves working with</p> <p>24 the -- talking with the customers and working with the</p> <p>25 other team members, right?</p> | <p style="text-align: right;">52</p> <p>1 <b>A. Mr. McLain was let go and put on suspension</b></p> <p>2 <b>and brought back before Mr. Onorato was ever even</b></p> <p>3 <b>suspended.</b></p> <p>4 Q. No. I understand. But you just told</p> <p>5 Mr. Ward that the concern about bringing Mr. Onorato</p> <p>6 back was that it would have caused employee issues,</p> <p>7 mainly with Mr. McLain, I assume, right?</p> <p>8 <b>A. No. You assume wrong.</b></p> <p>9 Q. Okay. Well, who?</p> <p>10 <b>A. With every single sales rep.</b></p> <p>11 Q. Why is that?</p> <p>12 <b>A. Because sales reps, when you make information</b></p> <p>13 <b>public, to have one person who is bringing allegations</b></p> <p>14 <b>against the company, be in a room with 40 people that</b></p> <p>15 <b>all do the same thing and don't agree, it's a</b></p> <p>16 <b>distraction. It has nothing to do with one person.</b></p> <p>17 Q. Twenty-five people or 40 people?</p> <p>18 <b>A. We have fluctuated anywhere from 25 to 40 at</b></p> <p>19 <b>some point in time. We've gone up and down.</b></p> <p>20 Q. Did the company consider bringing Mr. Onorato</p> <p>21 back and let everybody on the floor know, we all need</p> <p>22 to get along with each other or we're going to have to</p> <p>23 take appropriate action?</p> <p>24 <b>A. If we considered it even for a half second,</b></p> <p>25 <b>that was impossible. It was really not in the cards.</b></p> |

**RICKY LONGO****July 6, 2011**

14 (Pages 53 to 56)

|   |   |
|---|---|
| <p style="text-align: right;">53</p> <p>1 Q. It was impossible?</p> <p>2 <b>A. Right. We did not see a chance for that to</b></p> <p>3 <b>be anything but a distraction.</b></p> <p>4 Q. And given that you say it is impossible, I'm</p> <p>5 sure what that means is you've been in another company</p> <p>6 where the same thing has happened before and you've</p> <p>7 seen it gone bad. Is that right? Or you're just</p> <p>8 speculating it will be a bad situation?</p> <p>9 <b>A. No. I've seen it gone bad before.</b></p> <p>10 Q. Well, you've seen it be the case where</p> <p>11 another company was threatened legal action and the</p> <p>12 company brought him back and there was an adverse</p> <p>13 consequence?</p> <p>14 <b>A. Not in that exact context, no.</b></p> <p>15 Q. Sir, you said something that confused me. In</p> <p>16 response to one of Mr. Ward's questions. I thought I</p> <p>17 heard you to say that ABC pays the paralegals who work</p> <p>18 for Mr. Ward's law firm. Is that right?</p> <p>19 <b>A. Yes. We pay all the payroll.</b></p> <p>20 Q. So the paralegals who work on this 10th floor</p> <p>21 who are -- who are legal assistants of Lloyd Ward &amp;</p> <p>22 Associates law firm, they are paid by ABC Debt Relief.</p> <p>23 <b>A. Yes.</b></p> <p>24 Q. Their paychecks say ABC?</p> <p>25 <b>A. Yes, they do.</b></p> | <p style="text-align: right;">55</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. Well, you know, right?</p> <p>3 <b>A. Yes.</b></p> <p>4 Q. You're CFO?</p> <p>5 <b>A. Yes.</b></p> <p>6 Q. And you don't have to guess about that,</p> <p>7 right?</p> <p>8 <b>A. We have many banks.</b></p> <p>9 Q. Chase, and what are the other ones?</p> <p>10 <b>A. For ABC, actually it is just Chase.</b></p> <p>11 Q. Well, given your answer to that question, you</p> <p>12 give me the impression that you're not just running</p> <p>13 ABC Debt Relief. You're working for other companies,</p> <p>14 too?</p> <p>15 <b>A. There are other companies, yes.</b></p> <p>16 Q. That you're working for?</p> <p>17 <b>A. Yes.</b></p> <p>18 Q. Which other companies do you work for?</p> <p>19 <b>A. Let's see. I work for a company called CRLK,</b></p> <p>20 <b>LLC.</b></p> <p>21 Q. C --</p> <p>22 <b>A. RLK, LLC.</b></p> <p>23 Q. What is that?</p> <p>24 <b>A. This is a tax settlement company.</b></p> <p>25 Q. Are you employed by that company?</p>   |
| <p style="text-align: right;">54</p> <p>1 Q. Interesting. So does ABC do the hiring of</p> <p>2 Mr. Ward's paralegals?</p> <p>3 <b>A. That's under his supervision. We just pay</b></p> <p>4 <b>the -- we process the payroll. He makes the</b></p> <p>5 <b>determination on who is going to work for him and who</b></p> <p>6 <b>is not.</b></p> <p>7 Q. So does ABC even pay the paralegals who</p> <p>8 aren't involved in debt settlement work?</p> <p>9 <b>A. I think so.</b></p> <p>10 Q. That's what your understanding is?</p> <p>11 <b>A. Yes.</b></p> <p>12 Q. So if Mr. Ward has a corporate lawyer in his</p> <p>13 firm who is not in any way -- or an SEC lawyer, let's</p> <p>14 say, who is not in any way involved in debt settlement</p> <p>15 and that lawyer has a paralegal, that paralegal gets</p> <p>16 paid by ABC Debt Relief?</p> <p>17 <b>A. Maybe in part.</b></p> <p>18 Q. Why are you hesitating?</p> <p>19 <b>A. Because most of the paralegals up here do the</b></p> <p>20 <b>work for the debt. So, I mean, there's always some</b></p> <p>21 <b>crossover.</b></p> <p>22 Q. All right. Where does ABC Debt Relief do its</p> <p>23 banking?</p> <p>24 <b>A. Chase Bank.</b></p> <p>25 Q. Chase Bank?</p>  | <p style="text-align: right;">56</p> <p>1 <b>A. Not directly, no.</b></p> <p>2 Q. I don't understand what you mean not</p> <p>3 directly.</p> <p>4 <b>A. In all instances, ABC stands as the company</b></p> <p>5 <b>who oversees our management team, helps out in any</b></p> <p>6 <b>vertical that we're involved in.</b></p> <p>7 Q. Okay. So CRLK, LLC. Which other companies</p> <p>8 do you work for?</p> <p>9 <b>A. There is LRKD Auto.</b></p> <p>10 Q. LRKD?</p> <p>11 <b>A. Yes.</b></p> <p>12 Q. What is that?</p> <p>13 <b>A. That's service -- auto service contract</b></p> <p>14 <b>company.</b></p> <p>15 Q. Which other ones?</p> <p>16 <b>A. That's it.</b></p> <p>17 Q. Do either of those companies pay Mr. Ward's</p> <p>18 paralegals?</p> <p>19 <b>A. No, not at all.</b></p> <p>20 Q. All right. What's your understanding as to</p> <p>21 why ABC Debt Relief pays paralegals who are employed by</p> <p>22 a law firm?</p> <p>23 <b>A. All we do is facilitate the payroll.</b></p> <p>24 Q. Yes. But the checks don't say Lloyd Ward &amp;</p> <p>25 Associates. The checks say ABC Debt Relief, right?</p> |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 17





**LLOYD WARD****July 6, 2011**

1 (Pages 1 to 4)

|    |   |    |  |
|----|---|----|--|
| 1  | 1   | 1  | 3  |
| 2  | UNITED STATES DISTRICT COURT                            | 1  | I N D E X  |
| 3  | NORTHERN DISTRICT OF TEXAS                              | 2  | WITNESS PAGE   |
| 4  | DALLAS DIVISION   | 3  | LLOYD EUGENE WARD                                    |
| 5  | G. CHRIS ONORATO, *                                     | 4  | EXAMINATION  |
| 6  | Plaintiff, *  | 5  | BY: Mr. Wood.....4                                   |
| 7  | VS. * CIVIL ACTION                                      | 6  | Changes and Signature.....78                         |
| 8  | * NO. 3:10-CV-1791                                      | 7  | Reporter's Certificate.....80                        |
| 9  | ABC DEBT RELIEF, LTD. CO., *                            | 8  | EXHIBITS   |
| 10 | LLOYD REGNER AND KEVIN *                                | 9  | NUMBER DESCRIPTION IDENTIFIED                        |
| 11 | DEVOTO, LLOYD WARD & *                                  | 10 | Exhibit 1 Web site, Lloyd Ward & Associates.....16   |
| 12 | ASSOCIATES AND LLOYD WARD, *                            | 11 | Exhibit 2 E-mail.....58                              |
| 13 | Defendants. *   | 12 | Exhibit 3 Letter, 7/1/10, Charles Branham to         |
| 14 | *****   | 13 | Lloyd Regner, Kevin Devoto, et al.....61             |
| 15 | ORAL DEPOSITION OF                                      | 14 | Exhibit 4 E-mail stream.....63                       |
| 16 | LLOYD EUGENE WARD                                       | 15 | Exhibit 5 E-mail, 7/6/10.....65                      |
| 17 | JULY 6, 2011  | 16 | Exhibit 6 E-mail, 7/7/10.....66                      |
| 18 | *****   | 17 |  |
| 19 | ANSWERS AND ORAL DEPOSITION OF LLOYD EUGENE WARD,       | 18 |  |
| 20 | produced as a witness at the instance of the Plaintiff, | 19 |  |
| 21 | and duly sworn, was taken in the above-styled and       | 20 |  |
| 22 | numbered cause on the 6th day of July, 2011 from 9:15   | 21 |  |
| 23 | a.m. to 11:34 a.m., before Deborah Marks, CSR in and    | 22 |  |
| 24 | for the State of Texas, reported stenographically, at   | 23 |  |
| 25 | the offices of Lloyd Ward & Associates, 12655 LBJ       | 24 |  |
|    | Freeway, Suite 1000, Dallas, Texas, pursuant to the     | 25 |  |
|    | Federal Rules of Civil Procedure and the provisions     |    |  |
|    | stated on the record.                                   |    |  |
| 2  | 2   | 4  | 4  |
| 1  | A P P E A R A N C E S                                   | 1  | P R O C E E D I N G S                                |
| 2  | FOR THE PLAINTIFF:                                      | 2  | LLOYD EUGENE WARD,                                   |
| 3  | Mr. Robert J. Wood, Jr.                                 | 3  | having been duly sworn, testified as follows:        |
| 4  | FELL & WOOD, LLP  | 4  | EXAMINATION  |
| 5  | 3021 East Renner Road                                   | 5  | BY MR. WOOD:   |
| 6  | Suite 140   | 6  | Q. Would you state your name, please, sir.           |
| 7  | Richardson, Texas 75082                                 | 7  | A. <b>Lloyd Eugene Ward.</b>                         |
| 8  | 972.488.8177  | 8  | Q. Sir, what is your residential address?            |
| 9  | FOR THE DEFENDANTS:                                     | 9  | A. <b>6040 Preston Creek, Dallas, Texas 75040.</b>   |
| 10 | Mr. Lloyd Ward  | 10 | Q. You're an attorney, correct?                      |
| 11 | LLOYD WARD & ASSOCIATES                                 | 11 | A. <b>Correct.</b>                                   |
| 12 | 12655 LBJ Freeway                                       | 12 | Q. You're a partner at Lloyd Ward & Associates?      |
| 13 | Suite 1000  | 13 | A. <b>Yes.</b>                                       |
| 14 | Dallas, Texas 75243                                     | 14 | Q. Are you the only partner?                         |
| 15 | 972.361.0036  | 15 | A. <b>Currently I am the only partner.</b>           |
| 16 | ALSO PRESENT: Mr. G. Chris Onorato                      | 16 | Q. Lloyd Ward & Associates is in the debt            |
| 17 |   | 17 | settlement business; is that correct?                |
| 18 |   | 18 | A. <b>It -- I pause. That's one of the things we</b> |
| 19 |   | 19 | <b>do, yes.</b>                                      |
| 20 |   | 20 | Q. How long has it been in that business?            |
| 21 |   | 21 | A. <b>We've been doing workouts for people for</b>   |
| 22 |   | 22 | <b>probably 15 or 20 years.</b>                      |
| 23 |   | 23 | Q. How long have you been a partner in this law      |
| 24 |   | 24 | firm?  |
| 25 |   | 25 | A. <b>I want to say the law firm was found in</b>    |

**LLOYD WARD****July 6, 2011**

2 (Pages 5 to 8)

|  |   |
|--|---|
| <p style="text-align: right;">5</p> <p>1 <b>1992.</b></p> <p>2 Q. You've been a partner since then?</p> <p>3 <b>A. Yes. I formed the law firm.</b></p> <p>4 Q. When did you most recently have another</p> <p>5 partner?</p> <p>6 <b>A. John Long was my last partner, and that would</b></p> <p>7 <b>have been in roughly 2007, 2008, through that time</b></p> <p>8 <b>period.</b></p> <p>9 Q. You say you've been doing workouts for 15 or</p> <p>10 20 years. Is that a synonym for doing debt settlement?</p> <p>11 <b>A. Yes.</b></p> <p>12 Q. If you were trying to get clients, in other</p> <p>13 words, trying to get debt settlement clients, would</p> <p>14 picking up a Dallas telephone book and just calling</p> <p>15 names randomly be a good way to get clients?</p> <p>16 <b>A. No. It's prohibitive.</b></p> <p>17 Q. Other than it being ethically prohibitive,</p> <p>18 just assume that it wasn't prohibitive, would it be a</p> <p>19 good way for getting clients for debt settlement?</p> <p>20 <b>A. No.</b></p> <p>21 Q. Why not?</p> <p>22 <b>A. Dallas proper has a population -- Dallas</b></p> <p>23 <b>County of approximately 2.2 million people. The</b></p> <p>24 <b>randomness of doing phone calls would be -- compared</b></p> <p>25 <b>with the cost -- the cost of acquisition would be</b></p>                               | <p style="text-align: right;">7</p> <p>1 <b>finance and banking with a minor in accounting. And at</b></p> <p>2 <b>that point in time -- and this would have been in the</b></p> <p>3 <b>1979, '80 '81, '82 era -- what you looked at when you</b></p> <p>4 <b>were going to make a loan was you looked to see how</b></p> <p>5 <b>long they had a job. You looked for savings accounts,</b></p> <p>6 <b>you looked to see what their total credit was and your</b></p> <p>7 <b>house payments couldn't be more than 20 percent of what</b></p> <p>8 <b>your net income was. And there was a nice formula that</b></p> <p>9 <b>was built out.</b></p> <p>10 <b>And over the last roughly 30 years, the</b></p> <p>11 <b>banks have convinced us that you don't really need to</b></p> <p>12 <b>own anything. And back at that point in time in '76</b></p> <p>13 <b>when I bought my first car, you could get 24 month</b></p> <p>14 <b>financing and maybe 36 if you had good financing. So</b></p> <p>15 <b>what we've done over the last 30 years is people have</b></p> <p>16 <b>been convinced that you don't need to own anything.</b></p> <p>17 <b>If you want a car, lease it. And if you</b></p> <p>18 <b>can't afford to lease, we'll finance it for 72 months</b></p> <p>19 <b>so your warranty expires before your payment is due.</b></p> <p>20 <b>If you own a house, in the old days, you had a 15-</b></p> <p>21 <b>maybe a 20-year mortgage, depending on the payments.</b></p> <p>22 <b>And the goal was you paid your house off and you</b></p> <p>23 <b>retired and you owned your house. Now we've been</b></p> <p>24 <b>convinced that you don't need to own your house. If</b></p> <p>25 <b>you get equity, you can pull your equity out and spend</b></p> |
| <p style="text-align: right;">6</p> <p>1 <b>astronomical.</b></p> <p>2 Q. Are there leads lists that you could purchase</p> <p>3 that would give you some better candidates for debt</p> <p>4 settlement clients as opposed to just a telephone book?</p> <p>5 <b>A. I don't know.</b></p> <p>6 Q. Do you know roughly what percentage of people</p> <p>7 in America at some point use debt settlement services?</p> <p>8 <b>A. No, I don't have any idea.</b></p> <p>9 Q. Do you know if it is less than 50 percent?</p> <p>10 <b>A. I honestly don't have any idea. I know the</b></p> <p>11 <b>majority of Americans have credit cards and have debt</b></p> <p>12 <b>problems. But the number of those people that use debt</b></p> <p>13 <b>settlement services, I couldn't fathom.</b></p> <p>14 Q. You say the majority of people have credit</p> <p>15 cards, right?</p> <p>16 <b>A. Yes.</b></p> <p>17 Q. And you say that the majority of Americans</p> <p>18 have debt problems?</p> <p>19 <b>A. Yes.</b></p> <p>20 Q. How would you define a debt problem?</p> <p>21 <b>A. Can I give you my 2-minute spiel on it?</b></p> <p>22 <b>Q. Sure.</b></p> <p>23 <b>A. Okay. I am now officially old enough to say</b></p> <p>24 <b>back in the day, but when I graduated from the</b></p> <p>25 <b>University of Arkansas, my undergraduate degree was in</b></p> | <p style="text-align: right;">8</p> <p>1 <b>it.</b></p> <p>2 <b>And, likewise, I didn't have my first</b></p> <p>3 <b>credit card, nor did my father, until the late '80s --</b></p> <p>4 <b>'87, '88, '89. But we've now been convinced that we</b></p> <p>5 <b>should literally finance everything from our lunches at</b></p> <p>6 <b>the McDonald's, to our drinks at the local bar, to</b></p> <p>7 <b>anything you want, put it on a credit card.</b></p> <p>8 <b>So instead of owning, we have know been</b></p> <p>9 <b>convinced that all we have to be able to do is debt</b></p> <p>10 <b>service. So that's the reason I say in my opinion I</b></p> <p>11 <b>think we do have a problem with it because people have</b></p> <p>12 <b>now gained the attitude you don't need the house you</b></p> <p>13 <b>can buy. All you've got to be able to do is make</b></p> <p>14 <b>interest payments. So instead of buying a 3,000 square</b></p> <p>15 <b>foot house, let's buy an 8,000 square foot house.</b></p> <p>16 <b>Instead of buying a Ford, Chevy or Chrysler, let's go</b></p> <p>17 <b>lease a BMW or Mercedes. And as long as you've got any</b></p> <p>18 <b>credit on your credit card, instead of eating at home</b></p> <p>19 <b>or going to the grocery store for groceries, let's go</b></p> <p>20 <b>down to Ocean Prime and have dinner. So in my opinion,</b></p> <p>21 <b>I think that is a problem.</b></p> <p>22 <b>Q. Was Chris Onorato employed by ABC Debt</b></p> <p>23 <b>Relief?</b></p> <p>24 <b>A. Yes.</b></p> <p>25 <b>Q. When he was employed by ABC Debt Relief what</b></p>  |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 20

**LLOYD WARD****July 6, 2011**

3 (Pages 9 to 12)

|  |  |
|--|--|
| <p style="text-align: right;">9</p> <p>1 type of debt settlement services did you, Lloyd Ward &amp;<br/>2 Associates, offer?</p> <p>3 <b>A. Now, I'm subject to being wrong, but my</b><br/>4 <b>understanding was that he actually worked with ABC in</b><br/>5 <b>the marketing and sales department. He wasn't working</b><br/>6 <b>with Lloyd Ward in the servicing department. That's</b><br/>7 <b>two separate departments.</b></p> <p>8 MR. WOOD: I'm going to object to that<br/>9 as nonresponsive.</p> <p>10 Q. (By Mr. Wood) Let me ask the question again.<br/>11 When Mr. Onorato was employed by ABC<br/>12 Debt Relief, what type of debt settlement services did<br/>13 Lloyd Ward &amp; Associates offer?</p> <p>14 <b>A. At that point in time, what we offered was we</b><br/>15 <b>agreed to represent clients on a limited basis. The</b><br/>16 <b>limited basis being we would represent them strictly in</b><br/>17 <b>regard to contacting their creditors and negotiating</b><br/>18 <b>and verifying the debts under the Fair Debt Collection</b><br/>19 <b>Practices Act, as well as the Fair Debt Collection</b><br/>20 <b>Reporting Act issues, and then attempt to negotiate a</b><br/>21 <b>settlement with those creditors based solely on the</b><br/>22 <b>federal acts. No state representation was implied and</b><br/>23 <b>was specifically excluded.</b></p> <p>24 Q. So the attempt was to convince the creditors<br/>25 to take less than the full amount.</p> | <p style="text-align: right;">11</p> <p>1 Q. Is that correct?</p> <p>2 <b>A. That's correct.</b></p> <p>3 Q. All right. What was -- and maybe it's the<br/>4 same now as it was then. When Mr. Onorato was employed<br/>5 by ABC Debt Relief, what was that company? What did it<br/>6 do?</p> <p>7 <b>A. That company was a sales and marketing</b><br/>8 <b>company.</b></p> <p>9 Q. Is it still today?</p> <p>10 <b>A. No. My understanding of -- based on the new</b><br/>11 <b>FTC rules that came down on October 27, they pretty</b><br/>12 <b>much shut all the sales and marketing down across the</b><br/>13 <b>board. So my understanding is that they had -- I'm not</b><br/>14 <b>going to say they've gone out of business. I think</b><br/>15 <b>there's still some business that they're doing, but for</b><br/>16 <b>the most part, I think they've cut back.</b></p> <p>17 Q. And when you say October 27, you mean October<br/>18 27, 2010?</p> <p>19 <b>A. Yes, sir.</b></p> <p>20 Q. So before that time, it was a sales and<br/>21 marketing company?</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. And specifically -- well, let me ask you<br/>24 this -- strike that.<br/>25 Who started ABC Debt Relief?</p> |
| <p style="text-align: right;">10</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. Okay. And that's what was done when<br/>3 Mr. Onorato was employed by ABC Debt Relief?</p> <p>4 <b>A. And I --</b></p> <p>5 Q. To the best of your recollection?</p> <p>6 <b>A. And, again, my understanding was he worked</b><br/>7 <b>with them on sales and marketing, not on the creditor</b><br/>8 <b>side of this in regard to what Lloyd Ward &amp; Associates</b><br/>9 <b>in negotiating the debt. Do you understand there's two</b><br/>10 <b>different...</b></p> <p>11 MR. WOOD: Yes. I'm going to object as<br/>12 being responsive again.</p> <p>13 <b>A. Okay. I mean, when you ask it, you're</b><br/>14 <b>intermingling the two companies. And what I'm saying</b><br/>15 <b>is I'm not sure what he did at ABC. I know what we did</b><br/>16 <b>on our end of it.</b></p> <p>17 MR. WOOD: I'm going to object again as<br/>18 being nonresponsive.</p> <p>19 Q. (By Mr. Wood) But my purpose here, I just -- I<br/>20 want us to agree that when we talk about the debt<br/>21 settlement services that Lloyd Ward &amp; Associates<br/>22 offered during that time what we're talking about is<br/>23 the negotiation with creditors to try to convince them<br/>24 to take less than the full amount that was owed.<br/>25 <b>A. Yes.</b></p>   | <p style="text-align: right;">12</p> <p>1 <b>A. Lloyd Regner and Kevin Devoto.</b></p> <p>2 Q. Were they the only owners of ABC Debt Relief?</p> <p>3 <b>A. I honestly don't know. They were my point</b><br/>4 <b>contacts at work.</b></p> <p>5 Q. Were you ever an owner?</p> <p>6 <b>A. No.</b></p> <p>7 Q. Were you an officer?</p> <p>8 <b>A. No.</b></p> <p>9 Q. Were you ever a partner of either Lloyd<br/>10 Regner or Kevin Devoto?</p> <p>11 <b>A. No.</b></p> <p>12 Q. Did you ever hold yourself out as being their<br/>13 partner?</p> <p>14 <b>A. No.</b></p> <p>15 Q. Do you know if they held themselves out as<br/>16 being your partner?</p> <p>17 <b>A. Not that I'm aware of.</b></p> <p>18 Q. Do you know whether Kevin Devoto has ever<br/>19 been convicted of a felony?</p> <p>20 <b>A. I know he had SEC issues, but I don't know if</b><br/>21 <b>there was ever any criminal conviction.</b></p> <p>22 Q. When you say that ABC Debt Relief was a sales<br/>23 and marketing company, is it true that it was a sales<br/>24 and marketing company for Lloyd Ward &amp; Associates?<br/>25 <b>A. I was one of their clients, yes.</b></p>  |

**LLOYD WARD****July 6, 2011**

4 (Pages 13 to 16)

|  |   |
|--|---|
| <p style="text-align: right;">13</p> <p>1 Q. And just to get a clean answer to the</p> <p>2 question, was ABC Debt Relief a sales and marketing</p> <p>3 company for Lloyd Ward &amp; Associates?</p> <p>4 <b>A. Yes, it was.</b></p> <p>5 Q. Which other companies performed sales and</p> <p>6 marketing services for Lloyd Ward &amp; Associates?</p> <p>7 <b>A. Silver Leaf Debt Services did here locally,</b></p> <p>8 <b>and we also used a pay per click company that is Click</b></p> <p>9 <b>4, I believe is the name of it. And we also -- we've</b></p> <p>10 <b>got two other marketing companies and you would have to</b></p> <p>11 <b>ask our marketing director what their names are, but</b></p> <p>12 <b>we've got -- I mean, we've got several different</b></p> <p>13 <b>marketing companies that do various forms of marketing</b></p> <p>14 <b>for us.</b></p> <p>15 Q. Was there a company called Crown that did?</p> <p>16 <b>A. No, not that I'm aware of. I don't think so.</b></p> <p>17 Q. With respect to the other companies that</p> <p>18 performed sales and marketing functions for ABC Debt</p> <p>19 Relief, did they perform similar functions that ABC</p> <p>20 Debt Relief performed?</p> <p>21 <b>A. Yes.</b></p> <p>22 Q. What marketing services did ABC Debt Relief</p> <p>23 perform -- I may refer to ABC Debt Relief as ABC.</p> <p>24 <b>A. Sure, no problem.</b></p> <p>25 Q. What sales and marketing services did ABC</p>  | <p style="text-align: right;">15</p> <p>1 <b>A. I would doubt it. There was no reason to</b></p> <p>2 <b>keep it.</b></p> <p>3 Q. Do you have the Texas State Bar's response to</p> <p>4 you approving it?</p> <p>5 <b>A. No. Again, we didn't keep that. We didn't</b></p> <p>6 <b>see a need for it.</b></p> <p>7 Q. But if I -- assuming the Texas State Bar</p> <p>8 keeps things like that, if I were to go to the Texas</p> <p>9 State Bar and ask for ads that were sent in, I would</p> <p>10 ask for ads that were sent in by Lloyd Ward &amp;</p> <p>11 Associates, right?</p> <p>12 <b>A. Either Lloyd Ward &amp; Associates or Lloyd Ward,</b></p> <p>13 <b>PC, one of the two, yes. But it would be under one of</b></p> <p>14 <b>those two.</b></p> <p>15 Q. All right. And is it your understanding that</p> <p>16 what you submitted to the State Bar is the same as what</p> <p>17 somebody would find on Google and Yahoo?</p> <p>18 <b>A. That's my understanding.</b></p> <p>19 Q. Okay. All right. And if someone went to</p> <p>20 Google and Yahoo at that time and was looking for a</p> <p>21 debt settlement company is it your understanding that</p> <p>22 what they would have found would have been ABC Debt</p> <p>23 Relief, or would they have found Lloyd Ward &amp;</p> <p>24 Associates?</p> <p>25 <b>A. They'd find Lloyd Ward &amp; Associates.</b></p> |
| <p style="text-align: right;">14</p> <p>1 perform for Lloyd Ward &amp; Associates?</p> <p>2 <b>A. Okay. There were really -- and I'm going to</b></p> <p>3 <b>give you a long answer, because there is not a short</b></p> <p>4 <b>answer to this. The long answer is they targeted</b></p> <p>5 <b>people specifically with credit card debt that would</b></p> <p>6 <b>need legal representation to attempt to reduce the</b></p> <p>7 <b>debt. They used general marketing and advertising</b></p> <p>8 <b>under Google and Yahoo. And, again, all ads had to be</b></p> <p>9 <b>approved by the Texas State Bar, which they were. And</b></p> <p>10 <b>they also did direct mail, I believe, and they also</b></p> <p>11 <b>purchased leads.</b></p> <p>12 Q. So when you say that they did general</p> <p>13 marketing through Google and Yahoo, is that another way</p> <p>14 of saying they had a Web site?</p> <p>15 <b>A. I'm an IT idiot, so I'm not sure whether you</b></p> <p>16 <b>would call it a Web site, but it's where they advertise</b></p> <p>17 <b>and you go to it and click on it and it reroutes it</b></p> <p>18 <b>down to the sales department, for lack of a better</b></p> <p>19 <b>term. So I'm not sure if that's Web site or not.</b></p> <p>20 Q. But it was approved by the Texas State Bar?</p> <p>21 <b>A. Uh-huh.</b></p> <p>22 Q. Did you send it to the Texas State Bar?</p> <p>23 <b>A. We sure did.</b></p> <p>24 Q. Do you still have the correspondence that you</p> <p>25 sent to the Texas State Bar?</p> | <p style="text-align: right;">16</p> <p>1 Q. In other words, they would have found your</p> <p>2 law firm?</p> <p>3 <b>A. Absolutely. Otherwise marketing does me no</b></p> <p>4 <b>good.</b></p> <p>5 <b>(Exhibit 1 marked)</b></p> <p>6 Q. (By Mr. Wood) I'm going to show you what I've</p> <p>7 marked as Exhibit 1, and I'm going to represent to you</p> <p>8 these are some pages that were pulled from your Web</p> <p>9 site that talk about debt settlement.</p> <p>10 And the question for you -- well, first</p> <p>11 of all, can you confirm that that is what that is, that</p> <p>12 those are pages from your Web site?</p> <p>13 <b>A. This one, I don't necessarily recognize.</b></p> <p>14 Q. The first page?</p> <p>15 <b>A. Yes. This one -- I recognize these. And I'm</b></p> <p>16 <b>not saying it's not there. I don't recognize it, but</b></p> <p>17 <b>it's entirely possible that it was, sure.</b></p> <p>18 Q. Okay. So other than the first page of that</p> <p>19 exhibit, the rest of the pages look like they're from</p> <p>20 your Web site?</p> <p>21 <b>A. Yes. And can I -- would you like an</b></p> <p>22 <b>explanation.</b></p> <p>23 Q. Sure.</p> <p>24 <b>A. One of the things, and as part of what our</b></p> <p>25 <b>marketing does, is when you use Google and you use</b></p>   |

**LLOYD WARD****July 6, 2011**

5 (Pages 17 to 20)

|   |  |
|---|--|
| <p style="text-align: right;">17</p> <p>1 <b>Yahoo, you have these mystical, magical words and it's</b><br/> 2 <b>whatever the search terms are. So the reason I say</b><br/> 3 <b>that is because every six weeks, the marketing</b><br/> 4 <b>department goes in and updates and makes changes in the</b><br/> 5 <b>Web pages to make sure that whatever these mystical,</b><br/> 6 <b>magical words are, are in your advertisement. So that</b><br/> 7 <b>when people do their search and words pop up, it will</b><br/> 8 <b>help send them to our Web site. So that's the reason I</b><br/> 9 <b>say it very well may be and I don't know.</b></p> <p>10 Q. Okay. And so in other words, during the time<br/> 11 that Onorato was at ABC, your Web site wouldn't have<br/> 12 been the same as it is now, but it might have been<br/> 13 similar in the sense that it would talk about that<br/> 14 subject, right?</p> <p>15 A. <b>I believe so, yes.</b></p> <p>16 Q. Okay. When I asked you what sales and<br/> 17 marketing functions ABC provided for Lloyd Ward &amp;<br/> 18 Associates, you started off by saying that ABC targeted<br/> 19 people with credit card debt who might need debt<br/> 20 settlement services. And then you went on to talk<br/> 21 about marketing through Google and Yahoo. You talked<br/> 22 about direct mail and you talked about purchasing of<br/> 23 leads.</p> <p>24 Are those all of the ways that you can<br/> 25 recall that ABC performed -- provided sales and</p> | <p style="text-align: right;">19</p> <p>1 the people who were on the lead lists that they had<br/> 2 purchased?</p> <p>3 A. <b>I don't know. I didn't assume they did, but</b><br/> 4 <b>I never asked them.</b></p> <p>5 Q. You said they purchased leads. Do you know<br/> 6 from whom they purchased the leads?</p> <p>7 A. <b>There were several different entities. And,</b><br/> 8 <b>again, I've met the people that, quote, unquote, were</b><br/> 9 <b>sellers of the leads, but I couldn't tell you any names</b><br/> 10 <b>of companies. Again, that was part of what I</b><br/> 11 <b>contracted with them for.</b></p> <p>12 Q. Do you know what criteria they were -- what<br/> 13 type of person were they looking for when they<br/> 14 purchased the leads? Do you know that?</p> <p>15 A. <b>I have a general understanding, and this is</b><br/> 16 <b>my understanding. One is that most of leads are</b><br/> 17 <b>generated -- for example, if you ever stayed up late at</b><br/> 18 <b>night, they used to have those television ads, we can</b><br/> 19 <b>reduce your debt by 70 percent, et cetera.</b></p> <p>20 The companies that actually put those<br/> 21 ads out were not actually debt settlement companies or<br/> 22 attorneys or anybody else. They were lead generators.<br/> 23 And people would call in and say I'm interested in the<br/> 24 program, please have somebody call me back, or they<br/> 25 would fill the form out, or whatever the case may be.</p> |
| <p style="text-align: right;">18</p> <p>1 marketing functions for Lloyd Ward &amp; Associates?</p> <p>2 A. <b>There may have been, but those are the ones</b><br/> 3 <b>that I'm most aware of.</b></p> <p>4 Q. The direct mail that ABC sent out, was<br/> 5 that -- was that information that also was approved by<br/> 6 the State Bar?</p> <p>7 A. <b>I don't think it was approved by the State</b><br/> 8 <b>Bar. My understanding was that they just -- they took</b><br/> 9 <b>a copy, if you will, of our Web page and that was what</b><br/> 10 <b>was really put on the flyer to send out.</b></p> <p>11 Q. A copy of Lloyd Ward &amp; Associates' Web page?</p> <p>12 A. <b>Well, one of the Lloyd Ward &amp; Associates Web</b><br/> 13 <b>page, yes.</b></p> <p>14 Q. Did ABC Debt Relief even have a Web site?</p> <p>15 A. <b>I don't know.</b></p> <p>16 Q. All right. Do you know how ABC Debt Relief<br/> 17 would determine which people to send the flyers to?</p> <p>18 A. <b>No. That's all marketing company. I mean,</b><br/> 19 <b>don't take this wrong, but they've got their magical</b><br/> 20 <b>formulas or, you know, based upon residence, based upon</b><br/> 21 <b>income. I mean, you buy those geographic maps that</b><br/> 22 <b>tell you that this is a better region to send mailers</b><br/> 23 <b>to than that is, et cetera. That's all part of that</b><br/> 24 <b>marketing stuff that you buy.</b></p> <p>25 Q. Do you know whether they would mail flyers to</p>        | <p style="text-align: right;">20</p> <p>1 <b>Then we would, then, buy those leads because that way</b><br/> 2 <b>it's not a cold call. That's somebody that's asked</b><br/> 3 <b>that you call them back on that.</b></p> <p>4 And the way that almost all leads<br/> 5 companies work is -- I found out -- what I call<br/> 6 stratified. And that is you get some portion which are<br/> 7 basically good leads based on the criteria. And you<br/> 8 get a whole bunch of them that are maybe leads, and<br/> 9 then you got the bottom criteria, which are -- you<br/> 10 know, they called in, but they're probably not going to<br/> 11 be a good lead. And there were criteria that they --<br/> 12 once you got the leads and you had to take a look at if<br/> 13 they don't have a job. They don't have a job to make<br/> 14 payments back. They don't have a bank account. If<br/> 15 they don't have a bank account, they can't make<br/> 16 payments for debt services anyway.</p> <p>17 You know, I mean, there were certain<br/> 18 criteria that you looked at in the leads to determine<br/> 19 whether or not they were good leads. And all of those<br/> 20 lead companies stratified, because if they just tried<br/> 21 to sell the junk, it will never sell. So they stratify<br/> 22 them when they sell them.</p> <p>23 Q. Do you have any idea what percentage of<br/> 24 Americans would meet the criteria that would make them<br/> 25 a good lead?</p>                           |

**LLOYD WARD****July 6, 2011**

6 (Pages 21 to 24)

|   |   |
|---|---|
| <p style="text-align: right;">21</p> <p>1       <b>A. No idea at all.</b></p> <p>2       Q. Were you able to tell from leads how much</p> <p>3       debt these people have?</p> <p>4       <b>A. I think that is one of the criteria they</b></p> <p>5       <b>looked at. That's the one reason I say they</b></p> <p>6       <b>stratified, again, who to call and who not to call. I</b></p> <p>7       <b>believe that to be the case.</b></p> <p>8       Q. If someone did a Google or Yahoo search and</p> <p>9       found Lloyd Ward &amp; Associates that way and then they</p> <p>10      called -- I assume this was a number for them to call,</p> <p>11      right?</p> <p>12      <b>A. Correct.</b></p> <p>13      Q. And if they called the number, would that</p> <p>14      take them to an ABC employee?</p> <p>15      <b>A. Yes, it would.</b></p> <p>16      Q. Someone like Chris Onorato?</p> <p>17      <b>A. Yes.</b></p> <p>18      Q. And do you know what Mr. Onorato's title was?</p> <p>19      <b>A. No idea.</b></p> <p>20      Q. Okay. Do you know what type of employee he</p> <p>21      was?</p> <p>22      <b>A. I'm taking, based upon information I've</b></p> <p>23      <b>gathered since the filing, that he was commission only.</b></p> <p>24      <b>I didn't know prior to the suit, but after the suit was</b></p> <p>25      <b>filed, I'm assuming based on everything I've seen.</b></p>   | <p style="text-align: right;">23</p> <p>1       you can't promise people that you're going to settle</p> <p>2       their debt for 15 cents on the dollar -- and basically</p> <p>3       outline what we can and can't do. And make sure that,</p> <p>4       one, the person that said, yeah, we want to join the</p> <p>5       program has been given the correct information.</p> <p>6       And then, two, if they have been given</p> <p>7       the correct information and they still want to join the</p> <p>8       program, to go ahead and get them signed up. And then</p> <p>9       the third set of employees were the people that</p> <p>10      actually worked between the debtors and the creditors</p> <p>11      to get the debt settled.</p> <p>12      Q. So Mr. Onorato was one of the sales and</p> <p>13      marketing employees?</p> <p>14      <b>A. Yes, sir.</b></p> <p>15      Q. He was the one who had the initial call with</p> <p>16      the client and made the initial determination that they</p> <p>17      were qualified for the program, right?</p> <p>18      <b>A. I believe that's correct, yes.</b></p> <p>19      Q. And he also initially got them to say they</p> <p>20      were interested, right?</p> <p>21      <b>A. That may be a little broad, but I think it's</b></p> <p>22      <b>accurate.</b></p> <p>23      Q. And then you're saying the second type of</p> <p>24      employee, which I believe you called the quality</p> <p>25      assurance group, would determine the accuracy of what</p>  |
| <p style="text-align: right;">22</p> <p>1       Q. Something like a debt consultant or --</p> <p>2       <b>A. Something like that. The nomenclature</b></p> <p>3       <b>changes periodically.</b></p> <p>4       Q. All right. He would be the person to</p> <p>5       speak -- who would be the person who would initially</p> <p>6       speak with the customer, right?</p> <p>7       <b>A. I believe that's correct.</b></p> <p>8       Q. All right. And part of what he would do</p> <p>9       would be to assess whether that person was a candidate</p> <p>10      for debt settlement, right?</p> <p>11      <b>A. I would assume so. I haven't seen his job</b></p> <p>12      <b>description, but I would assume that to be accurate.</b></p> <p>13      Q. Do you know generally what types of employees</p> <p>14      ABC had?</p> <p>15      <b>A. I know there were three -- okay. I know that</b></p> <p>16      <b>ABC had one set of employees and Lloyd Ward group had</b></p> <p>17      <b>two sets of employees. They handled the sales and</b></p> <p>18      <b>marketing which was the front-end sales and marketing.</b></p> <p>19      <b>Once they had approved somebody and said, yeah, this</b></p> <p>20      <b>guy is a good candidate, we think he's in the program,</b></p> <p>21      <b>he's agreed to join the program, I then had what we</b></p> <p>22      <b>called quality assurance.</b></p> <p>23      Again, the nomenclature changes, but</p> <p>24      their job was simply to, one, contact that person,</p> <p>25      verify that they gave correct information -- because</p> | <p style="text-align: right;">24</p> <p>1       Mr. Onorato had determined?</p> <p>2       <b>A. Well, not just that, but make sure that there</b></p> <p>3       <b>hadn't been any misrepresentations by the sales staff,</b></p> <p>4       <b>because, obviously, some sales and marketing, since</b></p> <p>5       <b>they're on commission only, we want to make sure that</b></p> <p>6       <b>they weren't telling people things which weren't</b></p> <p>7       <b>accurate and which weren't deliverable.</b></p> <p>8       Q. And that quality assurance group, were they</p> <p>9       employees of ABC or employees of Lloyd Ward &amp;</p> <p>10      Associates?</p> <p>11      <b>A. Lloyd Ward &amp; Associates.</b></p> <p>12      Q. Were they -- at the time Lloyd Ward &amp;</p> <p>13      Associates and ABC were located in the same building,</p> <p>14      correct?</p> <p>15      <b>A. Yeah, they're on the 8th floor.</b></p> <p>16      Q. ABC was on the 8th floor and Lloyd Ward &amp;</p> <p>17      Associates was on the 10th floor?</p> <p>18      <b>A. That's correct. When we first started</b></p> <p>19      <b>actually, I was still out on Dallas Parkway, and it was</b></p> <p>20      <b>by accident I ended up here. I came over to visit one</b></p> <p>21      <b>day. Our lease was up at the old building and I went</b></p> <p>22      <b>to see the manager. This beautiful facility had been</b></p> <p>23      <b>vacated.</b></p> <p>24      Q. And when you -- when ABC and Lloyd Ward &amp;</p> <p>25      Associates were both in the same building, the sales</p> |

**LLOYD WARD****July 6, 2011**

7 (Pages 25 to 28)

|  |  |
|--|--|
| <p style="text-align: right;">25</p> <p>1 and marketing employees like Mr. Onorato were located</p> <p>2 on the 8th floor, right?</p> <p>3 <b>A. I believe that's correct, yes.</b></p> <p>4 Q. And they were located in an office that said</p> <p>5 ABC Debt Relief on the door?</p> <p>6 <b>A. I believe so, yes.</b></p> <p>7 Q. And the quality assurance group, where were</p> <p>8 they located?</p> <p>9 <b>A. They were actually located -- when you walked</b></p> <p>10 <b>in, it all ends up being one large space. I mean,</b></p> <p>11 <b>there's obviously an opening like a door and so you go</b></p> <p>12 <b>into the next space. So when you went in -- the</b></p> <p>13 <b>quality assurance and the debt settlement people, when</b></p> <p>14 <b>you walked in, I believe you walked through the door</b></p> <p>15 <b>and you went through the doorway to the right and</b></p> <p>16 <b>that's where they were located. And the sales staff</b></p> <p>17 <b>was ahead and you'd go through -- and it was actually</b></p> <p>18 <b>open when you walked in to the left. So they were</b></p> <p>19 <b>segregated, but it wasn't walled in.</b></p> <p>20 Q. So the quality assurance group was located on</p> <p>21 the 8th floor as well?</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. But you're saying that despite the fact that</p> <p>24 the quality assurance group was located on the 8th</p> <p>25 floor, those people were actually employed by Lloyd</p> | <p style="text-align: right;">27</p> <p>1 Associates, you would have -- your law firm would have</p> <p>2 a record of that, correct?</p> <p>3 <b>A. Through ADP.</b></p> <p>4 Q. Your law firm would be able to get copies of</p> <p>5 the checks that were made payable to those employees,</p> <p>6 right?</p> <p>7 <b>A. If it came through us, yes. We would just</b></p> <p>8 <b>request it from ADP and they would give us a printout.</b></p> <p>9 <b>Actually they would send you a CD. And they may have</b></p> <p>10 <b>been paid through -- they may have been paid through</b></p> <p>11 <b>ABC. I think it was Lloyd Ward, but it may have been</b></p> <p>12 <b>ABC.</b></p> <p>13 Q. Well, if they were paid by ABC, would it</p> <p>14 still be your contention that they were actually</p> <p>15 employed by Lloyd Ward &amp; Associates?</p> <p>16 <b>A. Oh, absolutely.</b></p> <p>17 Q. And why would you say that?</p> <p>18 <b>A. Because I had an employee leasing program set</b></p> <p>19 <b>up with ABC to perform all HR and payroll functions.</b></p> <p>20 Q. Were there documents that memorialized that</p> <p>21 arrangement?</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. What were those documents?</p> <p>24 <b>A. It was an employee leasing program.</b></p> <p>25 Q. Do you have a copy of that?</p>   |
| <p style="text-align: right;">26</p> <p>1 Ward &amp; Associates?</p> <p>2 <b>A. Yes, sir.</b></p> <p>3 Q. The sales and marketing employees, like</p> <p>4 Mr. Onorato, were paid by ABC, correct?</p> <p>5 <b>A. Yes.</b></p> <p>6 Q. That's what their paycheck said?</p> <p>7 <b>A. Yes.</b></p> <p>8 Q. Were the quality assurance group employees</p> <p>9 paid by Lloyd Ward &amp; Associates?</p> <p>10 <b>A. I think they're paid -- I think all paychecks</b></p> <p>11 <b>came through ADP. We use ADP for all the payroll. We</b></p> <p>12 <b>use ADP up here as well. And I think that they were</b></p> <p>13 <b>under the Lloyd Ward &amp; Associates group.</b></p> <p>14 Q. You believe that the quality assurance group</p> <p>15 employees were given paychecks that said Lloyd Ward &amp;</p> <p>16 Associates?</p> <p>17 <b>A. I think so. I never looked at their</b></p> <p>18 <b>paychecks.</b></p> <p>19 Q. Just roughly, how many quality assurance</p> <p>20 group employees were there?</p> <p>21 <b>A. I'm going to say somewhere around 15.</b></p> <p>22 Q. Do you know what their exact job titles were?</p> <p>23 <b>A. No. But I know what their job duties and</b></p> <p>24 <b>descriptions were.</b></p> <p>25 Q. If those employees were paid by Lloyd Ward &amp;</p>  | <p style="text-align: right;">28</p> <p>1 <b>A. Yes.</b></p> <p>2 Q. And it says that the quality assurance group</p> <p>3 were those -- that those employees were employed by</p> <p>4 Lloyd Ward &amp; Associates but they were leased to ABC?</p> <p>5 <b>A. Yes. We copied the -- there's three</b></p> <p>6 <b>different leasing companies out there. ADP has an</b></p> <p>7 <b>employee leasing program -- I think there's three.</b></p> <p>8 <b>There's CDI and there's another company. And so what I</b></p> <p>9 <b>did was I took their employee leasing program forms</b></p> <p>10 <b>that they use and combined them, plagiarized them.</b></p> <p>11 Q. Did ABC pay Lloyd Ward &amp; Associates a fee for</p> <p>12 those leased employees?</p> <p>13 <b>A. No. They were reimbursed any cost and</b></p> <p>14 <b>expenses, because, again, that was a direct cost for</b></p> <p>15 <b>Lloyd Ward &amp; Associates. So to the extent it was an</b></p> <p>16 <b>employee leasing program, they were paid through ABD --</b></p> <p>17 <b>I mean ADP, and I'm not sure which way the paycheck</b></p> <p>18 <b>showed on that.</b></p> <p>19 Q. The quality assurance group employees, who</p> <p>20 did they answer to?</p> <p>21 <b>A. Ultimately, they answer to me.</b></p> <p>22 Q. But the sales and marketing employees, like</p> <p>23 Mr. Onorato, do not answer to you? Is that what</p> <p>24 you're saying?</p> <p>25 <b>A. Yes.</b></p> |



**LLOYD WARD****July 6, 2011**

8 (Pages 29 to 32)

|  |  |
|--|--|
| <p style="text-align: right;">29</p> <p>1 Q. They didn't?</p> <p>2 A. No.</p> <p>3 Q. Who did they answer to?</p> <p>4 A. You'd have to ask ABC. And I know ultimately</p> <p>5 it was Kevin or Lloyd. I think Kervin was their</p> <p>6 immediate superior.</p> <p>7 Q. Who is Kervin?</p> <p>8 A. He was an employee of ABC.</p> <p>9 Q. The quality assurance group that you say</p> <p>10 ultimately answered to you, was there somebody within</p> <p>11 ABC that they answered to before they answered to you?</p> <p>12 A. No. I mean, ABC, obviously, oversaw them</p> <p>13 through the employee leasing program, but ultimately --</p> <p>14 and I'm trying to think. It was -- my mind is drawing</p> <p>15 a blank. I'm sorry. Anyway, no. There were one to</p> <p>16 two people downstairs that I would stay in constant</p> <p>17 contact with and they would oversee and make sure the</p> <p>18 employees did what they were supposed to do. That's</p> <p>19 the reason I say ultimately I didn't go down and</p> <p>20 conduct day-to-day.</p> <p>21 Q. And then the third -- well, let me ask you a</p> <p>22 question before we get to the third group of employees.</p> <p>23 The sales and marketing functions that</p> <p>24 ABC provided for Lloyd Ward &amp; Associates, how did ABC</p> <p>25 get reimbursed for those functions?</p> | <p style="text-align: right;">31</p> <p>1 far their biggest client.</p> <p>2 Q. So there were other -- were there other law</p> <p>3 firms that ABC worked with?</p> <p>4 A. Yes. Simon &amp; Bokschoff out of California -- I'm</p> <p>5 sorry -- out of Florida. They worked with Legal</p> <p>6 Helpers out of California, so yes.</p> <p>7 Q. Did ABC have similar arrangements with those</p> <p>8 firms?</p> <p>9 A. I don't have any idea.</p> <p>10 Q. Is it your understanding that the only</p> <p>11 clients that ABC had were law firms?</p> <p>12 A. ABC, yes.</p> <p>13 Q. And then we talked about the third group of</p> <p>14 employees who you said worked with creditors.</p> <p>15 A. Yes.</p> <p>16 Q. Do you know what those employees were called?</p> <p>17 A. Well, they're paralegals.</p> <p>18 Q. They are law firm paralegals?</p> <p>19 A. Uh-huh.</p> <p>20 Q. Paralegals of Lloyd Ward &amp; Associates?</p> <p>21 A. That's right. They're back in the back</p> <p>22 corner over here. I've got 12 --</p> <p>23 Q. Still have --</p> <p>24 A. -- 15. Oh, yes.</p> <p>25 Q. Twelve to 15 today?</p>   |
| <p style="text-align: right;">30</p> <p>1 A. ABC, in regard to those functions, one, was</p> <p>2 reimbursed direct costs, which would be their --</p> <p>3 whatever they paid for the -- for their advertising</p> <p>4 expenses. They were guaranteed a salary and then they</p> <p>5 were paid a guaranteed salary of half a million dollars</p> <p>6 a year.</p> <p>7 Q. Who was?</p> <p>8 A. ABC.</p> <p>9 Q. You mean the company?</p> <p>10 A. The company.</p> <p>11 Q. So Lloyd Ward &amp; Associates paid ABC a half a</p> <p>12 million dollars a year?</p> <p>13 A. Oh, absolutely.</p> <p>14 Q. Plus their costs?</p> <p>15 A. Plus their costs.</p> <p>16 Q. So just so I understand, ABC provides sales</p> <p>17 and marketing services for Lloyd Ward &amp; Associates,</p> <p>18 and, in exchange, Lloyd Ward &amp; Associates pays ABC a</p> <p>19 salary of half a million per year and reimburses ABC</p> <p>20 for all of its costs?</p> <p>21 A. Oh, absolutely.</p> <p>22 Q. That how it works?</p> <p>23 A. Absolutely.</p> <p>24 Q. So ABC's client was Lloyd Ward &amp; Associates?</p> <p>25 A. Yes. I wasn't their only client, but by and</p>  | <p style="text-align: right;">32</p> <p>1 A. Oh, yeah. And they're -- if you go to my</p> <p>2 office and go left, they're all back over there.</p> <p>3 Q. They are the ones who negotiate the debt?</p> <p>4 A. Yes.</p> <p>5 Q. Were there any people located on the 8th</p> <p>6 floor who negotiated the debt?</p> <p>7 A. I don't think so. I'm not going to swear to</p> <p>8 it, but I don't think so because we took all the</p> <p>9 additional space up here and moved them up here for</p> <p>10 that specific purpose.</p> <p>11 Q. When the paralegals negotiate the debt, do</p> <p>12 you ever personally have to get involved?</p> <p>13 A. Oh, yeah. Not often but occasionally. And</p> <p>14 when you say I, usually it's Sarah.</p> <p>15 Q. Sarah is one of your other attorneys?</p> <p>16 A. Yes, sir.</p> <p>17 Q. How many attorneys do you have here?</p> <p>18 A. Well, I just found out one of them is</p> <p>19 leaving. So currently I have myself, I have Charlie</p> <p>20 Steadham, I have Sarah. And Eugene was just let go.</p> <p>21 I'm currently interviewing for a replacement for him.</p> <p>22 I've also got Jason Malmburg here. And Charlie</p> <p>23 Steadham, the attorney that's been handling my SEC</p> <p>24 work, has just told me that his mother is ill and he is</p> <p>25 moving to, I want to say, Ohio. So, anyway, come</p> |

**LLOYD WARD****July 6, 2011**

9 (Pages 33 to 36)

|  |  |
|--|--|
| <p style="text-align: right;">33</p> <p>1 <b>August 1, I'm going to have to find a new SEC attorney.</b></p> <p>2 Q. Would the paralegals ever negotiate the debt</p> <p>3 for a person without the input or approval of an</p> <p>4 attorney?</p> <p>5 A. Yes and no. I'm really not trying to</p> <p>6 bifurcate with you, but we give them guidelines of what</p> <p>7 they can and can't do. And provided they operate</p> <p>8 within the guidelines, they don't have to come back</p> <p>9 with every settlement. So as long as they're</p> <p>10 operating within the purview of the guidelines, then</p> <p>11 the answer is no. That's the reason I say occasionally</p> <p>12 there is something that is exceptional that happens</p> <p>13 that they need and come and consult with us and we get</p> <p>14 directly involved with it.</p> <p>15 Q. So there are guidelines that the paralegals</p> <p>16 have that were sufficiently well defined so that in</p> <p>17 many cases they would -- they could negotiate a debt</p> <p>18 without having to get the approval of one of the</p> <p>19 attorneys?</p> <p>20 A. Yes.</p> <p>21 Q. And is it also the case that when a sales and</p> <p>22 marketing employee, like Mr. Onorato, was initially</p> <p>23 talking with a potential client that Mr. Onorato was</p> <p>24 given guidelines that would enable him to determine</p> <p>25 whether the person could be a client?</p>  | <p style="text-align: right;">35</p> <p>1 Q. Would those seminars take place in your law</p> <p>2 firm office?</p> <p>3 A. No. I would go downstairs. Or with Silver</p> <p>4 Leaf, I would go to Silver Leaf's office, or with Four</p> <p>5 Machinery, I'd go out to Four Machinery's office.</p> <p>6 Employers always want you to come to their office and</p> <p>7 they've always got their own dog and pony show that</p> <p>8 they put on. And then we put on, essentially, Hey,</p> <p>9 listen guys, here's what the rules are. Make sure</p> <p>10 you're complying with them. If you have any questions,</p> <p>11 our law firm is always available.</p> <p>12 Q. When you say you went downstairs, you mean</p> <p>13 you personally went to ABC's office to put on a</p> <p>14 seminar?</p> <p>15 A. Yeah, several times.</p> <p>16 Q. When you put on those seminars would you tell</p> <p>17 the ABC sales and marketing employees, such as</p> <p>18 Mr. Onorato, what criteria a person would have to have</p> <p>19 to be eligible for debt settlement?</p> <p>20 A. No.</p> <p>21 Q. How would they know that?</p> <p>22 A. That's -- you're going to have to --</p> <p>23 internally ABC would have to determine that. Because,</p> <p>24 again, that's part of what I hired them for. Our</p> <p>25 criteria was just here is what the rules and regs are</p> |
| <p style="text-align: right;">34</p> <p>1 A. I would assume so. And, again, you'll have</p> <p>2 to ask ABC. But I would assume that, yes.</p> <p>3 Q. So to the best of your knowledge, a sales and</p> <p>4 marketing employee, like Mr. Onorato, would not have</p> <p>5 sought advice from one of Lloyd Ward &amp; Associates</p> <p>6 attorneys or paralegals at that initial stage?</p> <p>7 A. They might have. And, again, typically the</p> <p>8 answer is no, but occasionally the answer would be yes.</p> <p>9 Q. You're saying it might have happened or it</p> <p>10 did happen?</p> <p>11 A. I don't recall a specific instance, but I'm</p> <p>12 saying it might well have happened because, again, I</p> <p>13 had Kyle Harneck, who was working with the paralegals,</p> <p>14 and then I had Sarah. So I'm not saying it didn't</p> <p>15 happen, but I'm going to say, you know, we gave</p> <p>16 regular -- I wouldn't say regular. We gave irregular</p> <p>17 seminars on the dos and the don'ts to the employees</p> <p>18 under the Federal Fair Collection Practices Act to make</p> <p>19 sure that ABC's employees knew that, Listen, guys</p> <p>20 here's some things you can't do. It's illegal to do</p> <p>21 them. Which much like Four Machinery, we go over there</p> <p>22 regularly and talk to them about the OSHA guidelines so</p> <p>23 that you make sure you keep your clients' employees</p> <p>24 cognizant of what the rules and regs are. It's an</p> <p>25 ounce of prevention, pound of cure theory.</p> | <p style="text-align: right;">36</p> <p>1 in the Fair Debt Collection Practices Act or the Fair</p> <p>2 Debt Credit Reporting Act, and here's what you can and</p> <p>3 you can't do and here's what the creditor can and can't</p> <p>4 do.</p> <p>5 Q. Well, do those rules and regulations specify</p> <p>6 what a person's credit situation had to be in order to</p> <p>7 be eligible for debt settlement?</p> <p>8 A. No.</p> <p>9 Q. So there wasn't a minimum amount of debt that</p> <p>10 a person had to have to be eligible for it?</p> <p>11 A. I don't know. I know what the average is,</p> <p>12 but I don't know if that's what the criteria was.</p> <p>13 Q. When a person signed up for the debt</p> <p>14 settlement -- when a person signed up for debt</p> <p>15 settlement, did they become a client of Lloyd Ward &amp;</p> <p>16 Associates?</p> <p>17 A. After the quality assurance, then, at that</p> <p>18 point in time, we would send the documentation out for</p> <p>19 them to review and sign. If they reviewed and signed</p> <p>20 it, yes.</p> <p>21 Q. And you would consider at that point that</p> <p>22 they had an attorney/client relationship with your law</p> <p>23 firm?</p> <p>24 A. After they signed the documents, yes.</p> <p>25 Q. And the document would say that, right?</p>   |

**LLOYD WARD****July 6, 2011**

10 (Pages 37 to 40)

|   |  |
|---|--|
| <p style="text-align: right;">37</p> <p>1 <b>A. Oh, yes. It was an attorney retainer</b><br/> 2 <b>agreement.</b><br/> 3 Q. How did Lloyd Ward &amp; Associates get paid by<br/> 4 the client?<br/> 5 <b>A. Prior to October 27, it was an up-front fee.</b><br/> 6 <b>I mean, an up-front fee would be based upon the total</b><br/> 7 <b>amount of indebtedness that they had. And we started</b><br/> 8 <b>at 15 percent and I think it may have dropped to</b><br/> 9 <b>10 percent somewhere through the program. And it may</b><br/> 10 <b>have well stayed at 15 percent, so let's just make a</b><br/> 11 <b>number up. If they owed \$100,000 in credit card debt,</b><br/> 12 <b>our fee would be \$15,000 paid over anywhere from three</b><br/> 13 <b>to six months depending on the schedule. And then</b><br/> 14 <b>there is a monthly what we call a maintenance fee which</b><br/> 15 <b>I want to say it was about \$30 a month while they were</b><br/> 16 <b>in the program.</b><br/> 17 Q. And that was all money to the law firm, not<br/> 18 to ABC, correct?<br/> 19 <b>A. Correct.</b><br/> 20 Q. The only time that money changed hands<br/> 21 between ABC and Lloyd Ward &amp; Associates was when Lloyd<br/> 22 Ward &amp; Associates would pay ABC a half a million<br/> 23 dollars salary plus cost reimbursement, right?<br/> 24 <b>A. Right. That was done on a monthly basis.</b><br/> 25 Q. Was there actually -- I know you mentioned</p> | <p style="text-align: right;">39</p> <p>1 <b>A. Yes.</b><br/> 2 Q. If we took a break, could you get us a copy<br/> 3 so we can just mark that as an exhibit to your<br/> 4 deposition?<br/> 5 <b>A. I'm not inclined to do that because before I</b><br/> 6 <b>do that I want to consult with my client on that. I'm</b><br/> 7 <b>not keen about turning documents over without</b><br/> 8 <b>consulting with clients first.</b><br/> 9 Q. Has there ever been an attorney/client<br/> 10 relationship between ABC and Lloyd Ward &amp; Associates?<br/> 11 <b>A. Yes.</b><br/> 12 Q. Since when?<br/> 13 <b>A. Early '10.</b><br/> 14 Q. What was it that caused there to be an<br/> 15 attorney/client relationship?<br/> 16 <b>A. Various matters. When there would be people</b><br/> 17 <b>who you would file bankruptcy and they would file an</b><br/> 18 <b>adversarial in the bankruptcy against -- and they</b><br/> 19 <b>inevitably named my law firm and also ABC. And anytime</b><br/> 20 <b>that -- as a matter of fact, I think there's two cases</b><br/> 21 <b>or one case in Ohio right now of that ilk.</b><br/> 22 <b>So there's inevitably claims filed in</b><br/> 23 <b>regard to people who want reimbursement for fees that</b><br/> 24 <b>have been paid, and they inevitably add ABC under the</b><br/> 25 <b>allegations regarding marketing and sales. Short term</b></p>  |
| <p style="text-align: right;">38</p> <p>1 earlier that was an employee leasing arrangement<br/> 2 between Lloyd Ward &amp; Associates and ABC and that there<br/> 3 would be documentation for that. But other than that,<br/> 4 were there contracts that existed between Lloyd Ward &amp;<br/> 5 Associates and ABC?<br/> 6 <b>A. We only had two contracts, a sales and</b><br/> 7 <b>marketing agreement and an employee leasing agreement.</b><br/> 8 Q. Do you have a copy of the sales and marketing<br/> 9 agreement?<br/> 10 <b>A. Yes.</b><br/> 11 Q. Just to the best of your knowledge, what does<br/> 12 it say?<br/> 13 <b>A. To the best of my knowledge, the way that</b><br/> 14 <b>it's set out is that it defines the way that the</b><br/> 15 <b>marketing has to be done because it can't be</b><br/> 16 <b>solicitation. So we would make sure that when they did</b><br/> 17 <b>the sales and marketing that there was no solicitation</b><br/> 18 <b>involved. We made sure that they were required to</b><br/> 19 <b>comply with all the federal and the state bar rules --</b><br/> 20 <b>the ABA rules as well as the state bar rules. It,</b><br/> 21 <b>then, provided a salary, and it also gave the</b><br/> 22 <b>opportunity for them to make what I call a performance</b><br/> 23 <b>bonus based upon their performance, quite frankly.</b><br/> 24 Q. Is that a document that you could easily put<br/> 25 your hands on?</p>             | <p style="text-align: right;">40</p> <p>1 <b>is if a suit comes in and ABC is being sued, then as a</b><br/> 2 <b>matter of both function and courtesy, we either act as</b><br/> 3 <b>local counsel -- because obviously we're not licensed</b><br/> 4 <b>in Ohio, so we actually hire the Ohio counsel -- and</b><br/> 5 <b>oversee the litigation with them.</b><br/> 6 <b>We had one in Florida, and, again, we</b><br/> 7 <b>hired local counsel. We oversaw the litigation with</b><br/> 8 <b>them. I think I've got -- we have had a couple in</b><br/> 9 <b>Texas which we directly handled litigation for. So</b><br/> 10 <b>anytime litigation comes up involving them in</b><br/> 11 <b>conjunction with their sales and marketing for our</b><br/> 12 <b>services, we handle it. And we charge them, but we --</b><br/> 13 <b>we handle it.</b><br/> 14 Q. Why was it important to you to have the sales<br/> 15 and marketing people be employed by ABC but the other<br/> 16 two types of employees be employed by the law firm?<br/> 17 <b>A. That was advice that came through -- when we</b><br/> 18 <b>originally approached this idea, Phil Offill, who was</b><br/> 19 <b>the former compliance attorney for the SEC over in Fort</b><br/> 20 <b>Worth, looked at this and evaluated it. Robby</b><br/> 21 <b>Birnbaum, who is an attorney out of Florida, who is</b><br/> 22 <b>head of the task and is, quote, unquote, the authority</b><br/> 23 <b>on debt. So companies looked at it. I had I want to</b><br/> 24 <b>say Chris Wheel here locally look at it.</b><br/> 25 <b>But I've had several attorneys look at</b></p> |

**LLOYD WARD****July 6, 2011**

11 (Pages 41 to 44)

|  |   |
|--|---|
| <p style="text-align: right;">41</p> <p>1 <b>it, and they helped formulate both the actual contract</b></p> <p>2 <b>as well as how are we able to sell, market and do this</b></p> <p>3 <b>and at the same time comply with the federal and state</b></p> <p>4 <b>rules. And I believe it was Robby Birnbaum that said</b></p> <p>5 <b>you need to have the sales and marketing completely</b></p> <p>6 <b>separated out of it. It's a matter of function in</b></p> <p>7 <b>order to make sure you're in compliance with both</b></p> <p>8 <b>federal and state rules.</b></p> <p>9 Q. Do you know when ABC began doing business?</p> <p>10 <b>A. October, that I know of. Before that, I'm</b></p> <p>11 <b>not sure.</b></p> <p>12 Q. October of what year?</p> <p>13 <b>A. Of '09.</b></p> <p>14 Q. When did ABC -- strike that.</p> <p>15 On what occasions did ABC use Lloyd Ward</p> <p>16 &amp; Associates' conference room?</p> <p>17 <b>A. Anytime they wanted. All of my clients have</b></p> <p>18 <b>free access to my conference room. Anytime that my</b></p> <p>19 <b>clients want to use the conference room as a service,</b></p> <p>20 <b>we say come up and use it. Because the more the</b></p> <p>21 <b>clients come to the office, the more they use the</b></p> <p>22 <b>facilities, the more they become intimate with us, the</b></p> <p>23 <b>longer term those clients tend to be.</b></p> <p>24 Q. Did ABC have management meetings in your --</p> <p>25 in Lloyd Ward &amp; Associates' conference room?</p> | <p style="text-align: right;">43</p> <p>1 (Recess taken, 10:11 to 10:25)</p> <p>2 Q. (By Mr. Wood) You said that ABC began doing</p> <p>3 business in October 2009?</p> <p>4 <b>A. No. That's when I started doing business</b></p> <p>5 <b>with ABC. Now, if they existed before that, I don't</b></p> <p>6 <b>know.</b></p> <p>7 Q. Before that time, had Lloyd Ward &amp; Associates</p> <p>8 done business with any other sales and marketing</p> <p>9 companies similar to ABC?</p> <p>10 <b>A. Yes.</b></p> <p>11 Q. Silver Leaf?</p> <p>12 <b>A. Silver Leaf.</b></p> <p>13 Q. When did you start doing business with Silver</p> <p>14 Leaf?</p> <p>15 <b>A. May of '09.</b></p> <p>16 Q. Anybody before then?</p> <p>17 <b>A. Not -- okay. Not in the exact same format</b></p> <p>18 <b>but in similar formats, yes.</b></p> <p>19 Q. You said earlier that Lloyd Ward &amp; Associates</p> <p>20 has been in the debt settlement business, I believe,</p> <p>21 for 15 or 20 years.</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. Was Lloyd Ward &amp; Associates busier in that</p> <p>24 area, say, in 2010 than it had been in 2008?</p> <p>25 <b>A. Substantially.</b></p>  |
| <p style="text-align: right;">42</p> <p>1 <b>A. I'm sure they did. I would come by on</b></p> <p>2 <b>several occasions and see them up here. All they have</b></p> <p>3 <b>to do is call and visit with Blanca and block out a</b></p> <p>4 <b>time they want to use the conference room and they're</b></p> <p>5 <b>welcome to it.</b></p> <p>6 Q. Did you ever participate in those management</p> <p>7 meetings?</p> <p>8 <b>A. No. I would usually walk through and say</b></p> <p>9 <b>hello to everybody. I believe that you should be</b></p> <p>10 <b>friendly with everybody. If you're working with people</b></p> <p>11 <b>or they're working with you, I've always found that, as</b></p> <p>12 <b>my grandfather said, honey draws more flies than</b></p> <p>13 <b>vinegar does.</b></p> <p>14 Q. And Lloyd Ward and Associates debt settlement</p> <p>15 clients would meet in the conference room, correct?</p> <p>16 <b>A. If they wanted to, yes.</b></p> <p>17 Q. And I think you've answered this before, but</p> <p>18 it was told to the clients that they were clients of</p> <p>19 the law firm, right?</p> <p>20 <b>A. That's right.</b></p> <p>21 Q. And that the law firm would do the debt</p> <p>22 settlement work?</p> <p>23 <b>A. That's correct.</b></p> <p>24 MR. WOOD: You want to take a break?</p> <p>25 MR. WARD: Okay.</p>   | <p style="text-align: right;">44</p> <p>1 Q. All right. Tell me again when Lloyd Ward &amp;</p> <p>2 Associates changed offices to this Central Expressway</p> <p>3 location.</p> <p>4 <b>A. February of '10, I believe.</b></p> <p>5 Q. You said a while ago that in 2010 Lloyd Ward</p> <p>6 &amp; Associates was substantially busier in the debt</p> <p>7 settlement area than it has been in 2008.</p> <p>8 <b>A. Yes.</b></p> <p>9 Q. In January of 2010, before your office moved,</p> <p>10 was Lloyd Ward &amp; Associates very busy in the debt</p> <p>11 settlement area?</p> <p>12 <b>A. Yes.</b></p> <p>13 Q. And can you quantify that for me? I mean,</p> <p>14 how many -- just ballpark how many clients did you have</p> <p>15 then in that --</p> <p>16 <b>A. That's why I'm thinking that because it</b></p> <p>17 <b>really started in November of '09 when the business</b></p> <p>18 <b>started to pick up. And we had started doing business</b></p> <p>19 <b>with Silver Leaf in October of '09. We began doing</b></p> <p>20 <b>business with ABC in November of '09. And it's like</b></p> <p>21 <b>all other types of business. I mean, I would use the</b></p> <p>22 <b>term ramping up. And that is, obviously, as the</b></p> <p>23 <b>marketing gets out, there's usually anywhere from a 30-</b></p> <p>24 <b>to 90-day lag in the time between your marketing starts</b></p> <p>25 <b>and any type of, I would say, substantial return on</b></p> |

**LLOYD WARD****July 6, 2011**

12 (Pages 45 to 48)

|   |  |
|---|--|
| <p style="text-align: right;">45</p> <p>1 those investments that you're making on that marketing.</p> <p>2 Q. Did Lloyd Ward &amp; Associates have anything to</p> <p>3 do with setting up either Silver Leaf or ABC?</p> <p>4 A. No.</p> <p>5 Q. Remind me where your location was before</p> <p>6 Central Expressway.</p> <p>7 A. 17850 North Dallas Parkway.</p> <p>8 Q. When you were at the North Dallas Parkway</p> <p>9 location, how many paralegals did you have?</p> <p>10 A. When I was in that one, oh, man, we had</p> <p>11 reduced staff substantially. '07 into '08 was tough</p> <p>12 for us. We laid off four attorneys. We got rid of</p> <p>13 three paralegals. I mean, at that point in time, I had</p> <p>14 three paralegals and two attorneys.</p> <p>15 Q. Now you say that you have between 12 and 15</p> <p>16 paralegals?</p> <p>17 A. Yes.</p> <p>18 Q. How many paralegals did you have in, let's</p> <p>19 say, March of 2010?</p> <p>20 A. About that number, if I were guessing.</p> <p>21 Q. Does that mean that your debt settlement</p> <p>22 business is now twice as busy as it was back then?</p> <p>23 A. No. It's a combination of a number of</p> <p>24 things.</p> <p>25 Q. Why were you able to get by with half as many</p>  | <p style="text-align: right;">47</p> <p>1 graduate of LSU with a degree in design and engineering</p> <p>2 and worked with a gentleman named Mo Dakka and</p> <p>3 developed our Web site. Then during the '09 year, we</p> <p>4 began doing print media ads with things like Dallas</p> <p>5 Luxury Magazine. We did some radio advertisements.</p> <p>6 And so what happened was -- and also we diversified. I</p> <p>7 brought a gentleman in that would do SEC work. I had</p> <p>8 Cami Boyd, who recently relocated also with her</p> <p>9 husband, who is a licensed IP attorney, copyright</p> <p>10 attorney.</p> <p>11 So what I did was I brought people on</p> <p>12 board to expand the base. So instead of us being</p> <p>13 primarily a litigation law firm, we starting doing</p> <p>14 some SEC work, some IP work. I brought a gentleman on</p> <p>15 board that was tax related, so we expanded our base, if</p> <p>16 you will.</p> <p>17 And what then happened was beginning in</p> <p>18 '09 and on through '10 and even today, it's just been</p> <p>19 an expansion that's a fairly nice expansion. We're</p> <p>20 finally starting to pick the clients back up. We're</p> <p>21 about to do a deal with a couple of regional banks to</p> <p>22 pick their work back up. So to answer your question --</p> <p>23 it's not did the debt settlement help -- absolutely.</p> <p>24 Q. Tell me again how many lawyers you have now.</p> <p>25 A. Right now, me, Jason, Sarah, Charlie.</p> |
| <p style="text-align: right;">46</p> <p>1 paralegals in March 2010 as you have now?</p> <p>2 A. Because prior to really the second quarter of</p> <p>3 '07, our primary business was banks. We had six banks</p> <p>4 we represented. We had 17 leasing companies. I had</p> <p>5 two large land developers and then I had a ton of small</p> <p>6 construction companies, land developers. That was, if</p> <p>7 you will, kind of the backbone of the business.</p> <p>8 And then during '07 and the first</p> <p>9 quarter of '08, as people may have noticed, is what</p> <p>10 they now call the banking crisis. We lost 17 leasing</p> <p>11 companies in a period of roughly a year. I don't mean</p> <p>12 they quit using us, I mean they went out of business.</p> <p>13 We went from six banks to two banks because, as an</p> <p>14 example, Abrams Centre Bank was acquired by Prosperity.</p> <p>15 We were doing Century Bank, which was acquired by Wells</p> <p>16 Fargo.</p> <p>17 So what happened was that during that</p> <p>18 time periods we are saw our clients literally</p> <p>19 evaporate. Beginning in the third quarter of '09, my</p> <p>20 wife came up and was started marketing. Before that</p> <p>21 point in time, we had never had a Web site. We didn't</p> <p>22 carry a Yellow Pages ad. The banking business, the</p> <p>23 real estate business, people don't look in the Yellow</p> <p>24 Pages. It's strictly referral business.</p> <p>25 And so my wife came up. She is a</p> | <p style="text-align: right;">48</p> <p>1 There's four of us right now.</p> <p>2 Q. Okay.</p> <p>3 A. Three months ago, we had seven.</p> <p>4 Q. Mr. Ward, Jason, Sarah. Who else?</p> <p>5 A. Charlie.</p> <p>6 Q. What kind of lawyer is Jason?</p> <p>7 A. Jason is actually handling our debt</p> <p>8 collection business.</p> <p>9 Q. What kind of lawyer is Sarah?</p> <p>10 A. Sarah is handling our debt negotiation</p> <p>11 business.</p> <p>12 Q. What kind of lawyer is Charlie?</p> <p>13 A. Charlie has been handling the SEC. And</p> <p>14 Charlie is headed, like I said, August 1.</p> <p>15 Q. You're a transactional lawyer?</p> <p>16 A. I'm whatever lawyer you need.</p> <p>17 Q. But two of your lawyers are focused solely on</p> <p>18 the debt settlement part of your business, right?</p> <p>19 A. No. Jason does nothing but debt collection.</p> <p>20 Q. Oh, debt collection.</p> <p>21 A. Yes, sir.</p> <p>22 Q. Okay. So one of your lawyers is a debt</p> <p>23 settlement lawyer?</p> <p>24 A. Uh-huh.</p> <p>25 Q. Yes?</p>  |

**LLOYD WARD****July 6, 2011**

13 (Pages 49 to 52)

|  |   |
|--|---|
| <p style="text-align: right;">49</p> <p>1 <b>A. Absolutely.</b></p> <p>2 Q. And out of your 12 to 15 paralegals, how many</p> <p>3 of those paralegals do primarily debt settlement work?</p> <p>4 <b>A. 75 percent of them.</b></p> <p>5 Q. So 10 to 12 of them --</p> <p>6 <b>A. Yes.</b></p> <p>7 Q. -- do primarily debt settlement work?</p> <p>8 <b>A. Yeah, probably.</b></p> <p>9 Q. If that's the case, if you need 10 to 12</p> <p>10 paralegals to do debt settlement work, why do you have</p> <p>11 twice as many paralegals doing that work as you did</p> <p>12 roughly a year ago?</p> <p>13 <b>A. Because it's a learning experience. And what</b></p> <p>14 <b>I found out was -- excuse me -- especially with debt</b></p> <p>15 <b>settlement, there's a lot of hand holding involved.</b></p> <p>16 <b>They want to call and want to talk to people. They</b></p> <p>17 <b>want -- if they get a call from a creditor, they panic</b></p> <p>18 <b>and they want you to call them. They want to check in</b></p> <p>19 <b>on a regular basis to find out if you've talked with</b></p> <p>20 <b>any credit card companies.</b></p> <p>21 <b>I mean, it's much like what I say with</b></p> <p>22 <b>PI work or with divorce work, there seems to be a</b></p> <p>23 <b>substantially larger amount of hand holding that needs</b></p> <p>24 <b>to be done than it is with a typical client. Banks</b></p> <p>25 <b>don't need hand holding and real estate developers</b></p> | <p style="text-align: right;">51</p> <p>1 negotiation?</p> <p>2 <b>A. Not that I'm aware of. I'm not going to tell</b></p> <p>3 <b>you it didn't happen, but I'm going to tell you I'm not</b></p> <p>4 <b>aware of it.</b></p> <p>5 Q. Even when you were at the Dallas Parkway</p> <p>6 location, it didn't happen; is that correct?</p> <p>7 <b>A. Not that I'm aware of. As a matter of fact,</b></p> <p>8 <b>that location, I promulgated the employee lease.</b></p> <p>9 Q. How many paralegals -- you had three</p> <p>10 paralegals at the Dallas Parkway location, right?</p> <p>11 <b>A. That's right.</b></p> <p>12 Q. And that was enough paralegals to negotiate</p> <p>13 the debts?</p> <p>14 <b>A. No. So during that time period, they would</b></p> <p>15 <b>have had to have been at ABC. I mean --</b></p> <p>16 Q. Who would have been at ABC?</p> <p>17 <b>A. The negotiators would had to have been</b></p> <p>18 <b>downstairs because we just didn't physically have the</b></p> <p>19 <b>room. That was the reason after the lease was up, we</b></p> <p>20 <b>had to move.</b></p> <p>21 Q. So ABC employees would have been negotiating</p> <p>22 the debt?</p> <p>23 <b>A. No. They would have been my employees, but</b></p> <p>24 <b>they would have been -- they would have had office</b></p> <p>25 <b>space on the 8th floor until we got moved over here. I</b></p> |
| <p style="text-align: right;">50</p> <p>1 <b>don't need hand holding, but those clients do.</b></p> <p>2 Q. Do you have more debt settlement clients</p> <p>3 today than you did in March 2010?</p> <p>4 <b>A. I'd have to go back and look at the numbers.</b></p> <p>5 <b>I would say probably. I don't know it's a</b></p> <p>6 <b>substantially large number, but I would say probably.</b></p> <p>7 Q. When a paralegal negotiates with debt for a</p> <p>8 client, I assume that there is some documentation that</p> <p>9 has to be signed between somebody and the creditor,</p> <p>10 right?</p> <p>11 <b>A. Do you want to know how it works?</b></p> <p>12 Q. Let me ask you a different question.</p> <p>13 Does there come a time where either the</p> <p>14 paralegal or an attorney of this law firm has to sign a</p> <p>15 piece of paper negotiating that debt?</p> <p>16 <b>A. We have a settlement form that we use, okay,</b></p> <p>17 <b>if that answers your question. And it's a promulgated</b></p> <p>18 <b>settlement.</b></p> <p>19 Q. The parties to that form are the creditor,</p> <p>20 the debtor, right?</p> <p>21 <b>A. Correct.</b></p> <p>22 Q. Does your law firm sign off on it as well?</p> <p>23 <b>A. Not typically.</b></p> <p>24 Q. All right. Was there ever a time when an</p> <p>25 employee of ABC Debt Relief was doing the debt</p>   | <p style="text-align: right;">52</p> <p>1 <b>hadn't thought about it. Yeah, that would have to be</b></p> <p>2 <b>correct.</b></p> <p>3 Q. I want to go back. I asked you earlier</p> <p>4 whether there was an attorney -- whether there ever was</p> <p>5 an attorney/client relationship between ABC and Lloyd</p> <p>6 Ward &amp; Associates. And you said there had been some</p> <p>7 occasions as early as 2010 where there had been a</p> <p>8 relationship like that, correct?</p> <p>9 <b>A. Correct.</b></p> <p>10 Q. And the example you gave was various matters</p> <p>11 where a client is dissatisfied and sues somebody --</p> <p>12 sues both of you potentially, right?</p> <p>13 <b>A. Or this lawsuit.</b></p> <p>14 Q. Okay. So this lawsuit is an example of that?</p> <p>15 <b>A. Yes.</b></p> <p>16 Q. When did your attorney/client relationship</p> <p>17 with ABC begin with respect to Mr. Onorato?</p> <p>18 <b>A. Never had one.</b></p> <p>19 Q. Until when?</p> <p>20 <b>A. Never had one.</b></p> <p>21 Q. There is not an attorney/client relationship</p> <p>22 right now between Lloyd Ward &amp; Associates and ABC with</p> <p>23 respect to this lawsuit?</p> <p>24 <b>A. You said Mr. Onorato.</b></p> <p>25 Q. I'm sorry. I misspoke. Okay.</p>   |

**LLOYD WARD****July 6, 2011**

14 (Pages 53 to 56)

|   |   |
|---|---|
| <p style="text-align: right;">53</p> <p>1 When did your attorney/client<br/>2 relation -- when did Lloyd Ward &amp; Associates'<br/>3 attorney/client relationship begin with ABC Debt Relief<br/>4 with respect to Mr. Onorato?<br/>5 <b>A. You mean this lawsuit?</b><br/>6 Q. No. With respect to Mr. Onorato, period. If<br/>7 the answer is the lawsuit, that's fine.<br/>8 <b>A. The lawsuit would have been the first</b><br/>9 <b>indication I had. I had met Mr. Onorato, obviously,</b><br/>10 <b>coming in and out of the building when we went</b><br/>11 <b>downtown -- or when I would go downstairs, but I didn't</b><br/>12 <b>know anything about any issues until the lawsuit.</b><br/>13 Q. So when he filed -- when Mr. Onorato filed<br/>14 his lawsuit, that's when the attorney/client<br/>15 relationship started between Lloyd Ward &amp; Associates<br/>16 and ABC Debt Relief with respect to Mr. Onorato?<br/>17 <b>A. Correct.</b><br/>18 Q. I believe you said this earlier, but ABC Debt<br/>19 Relief paid Mr. Onorato, correct?<br/>20 <b>A. I believe that's correct, yes.</b><br/>21 Q. Do you know what his dates of employment<br/>22 were?<br/>23 <b>A. No, sir, I don't. I mean, I could go back</b><br/>24 <b>and pull the records we provided, but I couldn't tell</b><br/>25 <b>you off the top of my head.</b></p> | <p style="text-align: right;">55</p> <p>1 <b>A. They wouldn't sign e-mails. They would be on</b><br/>2 <b>the system. They would sign their e-mails with Silver</b><br/>3 <b>Leaf, but it would be -- we monitor. We keep -- we</b><br/>4 <b>like to be able to monitor the e-mails. So they would</b><br/>5 <b>have gone out, I think, just Lloyd Ward, but I'd have</b><br/>6 <b>to go back and check.</b><br/>7 Q. Why did Mr. Onorato sign his e-mails Chris<br/>8 Onorato, attorneys at law, Lloyd Ward &amp; Associates? Do<br/>9 you know why he would have done that?<br/>10 <b>A. No.</b><br/>11 <b>(Exhibit 2 marked)</b><br/>12 Q. (By Mr. Wood) Let me show you what's marked as<br/>13 Exhibit 2, and ask you if you've seen this document<br/>14 before.<br/>15 <b>A. I'm sure I've seen the document before. I'm</b><br/>16 <b>assuming it's something that's been produced. I didn't</b><br/>17 <b>think he was a debt analyst. I was under the</b><br/>18 <b>assumption that he worked in the sales and marketing</b><br/>19 <b>department. I honestly don't know, but assumed that he</b><br/>20 <b>might have been in either the quality assurance or he</b><br/>21 <b>may have been in the other, but I was assuming he was</b><br/>22 <b>in sales and marketing. Now --</b><br/>23 Q. Well, let me ask you question about that.<br/>24 <b>A. Sure.</b><br/>25 Q. So your belief is that if he had the title of</p> |
| <p style="text-align: right;">54</p> <p>1 Q. Do you know how he was compensated?<br/>2 <b>A. From what I've seen in the lawsuit, it was a</b><br/>3 <b>commission only basis.</b><br/>4 Q. Do you know whether he was a good performer?<br/>5 <b>A. I'm assuming that he was. I mean, I don't</b><br/>6 <b>have any specific knowledge.</b><br/>7 Q. Do you know how it would be measured as to<br/>8 whether he was a good performer?<br/>9 <b>A. You'd have to ask ABC. I try not to</b><br/>10 <b>interfere with direct employee relationships with my</b><br/>11 <b>clients.</b><br/>12 Q. Were the sales and marketing employees of<br/>13 Silver Leaf also -- those were employed by Silver Leaf,<br/>14 correct?<br/>15 <b>A. Yes.</b><br/>16 Q. Did you allow those employees to sign their<br/>17 e-mails Lloyd Ward &amp; Associates?<br/>18 <b>A. Their e-mails, in order to differentiate, I</b><br/>19 <b>believe was under Lloyd Ward. Just under Lloyd Ward,</b><br/>20 <b>but I'd have to go back. I know we had a different</b><br/>21 <b>e-mail system from here from there so that we could</b><br/>22 <b>differentiate in regard to e-mails, who was sending</b><br/>23 <b>e-mails and who was receiving e-mails.</b><br/>24 Q. So Silver Leaf employees would sign e-mails<br/>25 Lloyd Ward &amp; Associates?</p>                       | <p style="text-align: right;">56</p> <p>1 senior debt analyst, he was not a sales and marketing<br/>2 employee?<br/>3 <b>A. I don't know. You will have to ask him. I</b><br/>4 <b>was under the assumption he was in the sales and</b><br/>5 <b>marketing department. That's what the document I've</b><br/>6 <b>seen shows, so I don't know why this was done this way</b><br/>7 <b>is the short answer.</b><br/>8 Q. Well, were senior debt analysts paid by Lloyd<br/>9 Ward &amp; Associates, or were they paid by ABC Debt<br/>10 Relief?<br/>11 <b>A. The answer to the question is the</b><br/>12 <b>paralegals/debt settlement end of it, the paralegals</b><br/>13 <b>were paid by me and the quality assurance are. And,</b><br/>14 <b>again, I'm not -- I don't know what the nomenclature</b><br/>15 <b>downstairs is being used -- what job descriptions are.</b><br/>16 <b>I mean, I don't know. I don't interfere with it.</b><br/>17 Q. Is it your belief that a sales -- is it your<br/>18 belief that a senior debt analyst would fall under the<br/>19 category of quality assurance rather than sales and<br/>20 marketing?<br/>21 <b>A. I don't know.</b><br/>22 Q. Who would know that?<br/>23 <b>A. Mr. Devoto and Mr. Regner. But from the</b><br/>24 <b>documents I've seen, he was in the sales and marketing</b><br/>25 <b>department because from the documents at least I recall</b></p>                  |

**LLOYD WARD****July 6, 2011**

15 (Pages 57 to 60)

|   |  |
|---|--|
| <p style="text-align: right;">57</p> <p>1 <b>having seen he was paid through ABC and he was on</b><br/> 2 <b>commission only which would put him in the sales and</b><br/> 3 <b>marketing department.</b><br/> 4 Q. So that's the way to tell, right?<br/> 5 <b>A. Yes.</b><br/> 6 Q. So it's possible, then, that he could have<br/> 7 had the title of senior debt analyst but also had been<br/> 8 in the sales and marketing department?<br/> 9 <b>A. Apparently.</b><br/> 10 Q. All right. Well, do you know why he would<br/> 11 sign his e-mails senior debt analyst, attorneys at law,<br/> 12 Lloyd Ward &amp; Associates?<br/> 13 <b>A. You know, I think that's a bit of a</b><br/> 14 <b>misstatement. But in all of our advertising companies</b><br/> 15 <b>when they send their advertisements out, they send it</b><br/> 16 <b>out under Lloyd Ward &amp; Associates, otherwise they're</b><br/> 17 <b>not a sales and marketing company from a law firm so...</b><br/> 18 Q. So you knew -- whether you knew specifically<br/> 19 that Mr. Onorato was doing this, you knew that the<br/> 20 employees of ABC would send out letters or would sign<br/> 21 e-mails stating their name, and then right below that<br/> 22 Lloyd Ward &amp; Associates?<br/> 23 <b>A. No. I haven't paid any attention. I didn't</b><br/> 24 <b>know that's what they were doing. But I'm telling you</b><br/> 25 <b>all of the marketing companies that we use, whether</b></p> | <p style="text-align: right;">59</p> <p>1 <b>A. Sure did.</b><br/> 2 Q. Did all of the ABC Debt Relief employees<br/> 3 have e-mail addresses with their name at<br/> 4 lloydwardlawfirm.com?<br/> 5 <b>A. Sure did.</b><br/> 6 Q. So if you're someone on the outside world and<br/> 7 you're viewing that, you would take it, wouldn't you,<br/> 8 that this person is employed by the law firm?<br/> 9 <b>A. Probably.</b><br/> 10 Q. He says in his e-mail here that -- he says in<br/> 11 the second sentence, Trying to figure out who you can<br/> 12 depend on in this business can be challenging. In the<br/> 13 past when I have had other potential clients who had<br/> 14 basically the same question, they felt better knowing<br/> 15 the following, Lloyd Ward &amp; Associates attorneys at<br/> 16 law. Through our years of experience in many areas of<br/> 17 law, we have gained knowledge and wherewithal to<br/> 18 produce unmatched results in attorney negotiations for<br/> 19 clients for debt. In addition, we have an experienced<br/> 20 staff who provides the highest level of customer<br/> 21 support.<br/> 22 Is everything he said there about your<br/> 23 law firm accurate?<br/> 24 <b>A. I like to think so.</b><br/> 25 Q. Then he says, in the first bullet point, The</p>  |
| <p style="text-align: right;">58</p> <p>1 <b>it's Click 4 or any of them, when they send e-mails out</b><br/> 2 <b>in regard to clients that contact them, it's different</b><br/> 3 <b>formats, but it's very similar because they're</b><br/> 4 <b>promoting my product. That's what they're paid to</b><br/> 5 <b>promote. They're not promoting their product. So, you</b><br/> 6 <b>know, my name is all over the thing because I'm paying</b><br/> 7 <b>them to promote my product.</b><br/> 8 Q. Let me make sure I understand your testimony.<br/> 9 You're saying that if employees of ABC sent e-mails out<br/> 10 and underneath their name put Lloyd Ward &amp; Associates,<br/> 11 you just had no knowledge of that?<br/> 12 <b>A. No, but it doesn't surprise me.</b><br/> 13 Q. Well, did you ever get e-mails from employees<br/> 14 of ABC?<br/> 15 <b>A. I would usually be copied on e-mails. But</b><br/> 16 <b>the e-mails would go through the attorney here on our</b><br/> 17 <b>staff that was handling the debt settlements, so I</b><br/> 18 <b>mean -- would I get copied, yes, but they typically</b><br/> 19 <b>aren't directed to me.</b><br/> 20 Q. If you look at the top of Exhibit 2, you'll<br/> 21 see that Mr. Onorato's e-mail address is<br/> 22 chriso@lloydwardlawfirm.com. Do you see that?<br/> 23 <b>A. Yes.</b><br/> 24 Q. Did he have an e-mail address<br/> 25 chriso@lloydwardlawfirm.com?</p>                                | <p style="text-align: right;">60</p> <p>1 premier attorney debt negotiation law firm in the U.S.<br/> 2 Is that accurate?<br/> 3 <b>A. That may be fluffing a little, but...</b><br/> 4 Q. It's not demonstrably inaccurate, is it?<br/> 5 <b>A. I like to think we're the best.</b><br/> 6 Q. All right. And then he says, In business<br/> 7 since 1985. Is that correct?<br/> 8 <b>A. That's when I obtained my law license.</b><br/> 9 Q. Did you approve any of this language?<br/> 10 <b>A. Did I approve it?</b><br/> 11 Q. Yes.<br/> 12 <b>A. Personally no. My marketing department would</b><br/> 13 <b>have had to look it over. So that's the reason I say</b><br/> 14 <b>you'd have to visit with either my wife or Mo Dakka,</b><br/> 15 <b>who handles our Click 4 business. But they all, if you</b><br/> 16 <b>will, kind of put their heads together to figure out</b><br/> 17 <b>what the best promotional material is.</b><br/> 18 Q. But if ABC employees were trying to convince<br/> 19 potential clients that they should use Lloyd Ward &amp;<br/> 20 Associates as opposed to other debt settlement<br/> 21 companies because Lloyd Ward &amp; Associates is a law firm<br/> 22 that's been in business since 1985 and it's one of the<br/> 23 premier debt negotiation law firms in the US, you<br/> 24 wouldn't have any problem with that, would you?<br/> 25 <b>A. No.</b></p> |



**LLOYD WARD****July 6, 2011**

16 (Pages 61 to 64)

|  |   |
|--|---|
| <p style="text-align: right;">61</p> <p>1 Q. Do you know if they were, in fact, doing</p> <p>2 that?</p> <p>3 <b>A. I'm assuming they are, or were.</b></p> <p>4 Q. Did you at some point become aware of a</p> <p>5 letter sent by Mr. Onorato's attorney to Lloyd Regner</p> <p>6 and Kevin Devoto complaining about Mr. Onorato not</p> <p>7 being paid properly and some other complaints that he</p> <p>8 had?</p> <p>9 <b>A. Yes.</b></p> <p>10 Q. How did you become aware of that?</p> <p>11 <b>A. After the lawsuit was filed, that was part of</b></p> <p>12 <b>the documentation that was brought to me.</b></p> <p>13 <b>(Exhibit 3 marked)</b></p> <p>14 Q. (By Mr. Wood) Let me show you what I've marked</p> <p>15 as Exhibit 3, and ask you if that is the letter that I</p> <p>16 just referenced.</p> <p>17 <b>A. I believe it is. I mean, I'm...</b></p> <p>18 Q. You've seen that before?</p> <p>19 <b>A. That looks very familiar, yes.</b></p> <p>20 Q. You wouldn't forget the picture, would you?</p> <p>21 <b>A. No, not necessarily.</b></p> <p>22 Q. You believe you've seen this before?</p> <p>23 <b>A. I do.</b></p> <p>24 Q. But you believe the first time you saw this</p> <p>25 was after Mr. Onorato filed his lawsuit?</p> | <p style="text-align: right;">63</p> <p>1 Q. When was the first time you talked with them</p> <p>2 about it?</p> <p>3 <b>A. It would have been sometime shortly after the</b></p> <p>4 <b>service of the citations in the suit.</b></p> <p>5 Q. Do you consider those conversations to be</p> <p>6 attorney/client privilege?</p> <p>7 <b>A. Yes, I do.</b></p> <p>8 Q. So if I asked you what you said, you wouldn't</p> <p>9 answer me, correct?</p> <p>10 <b>A. I wouldn't.</b></p> <p>11 Q. Just for the record, I will ask you.</p> <p>12 What was said that during those</p> <p>13 conversations?</p> <p>14 <b>MR. WARD: Objection, refuse to answer,</b></p> <p>15 <b>attorney/client privileged communications.</b></p> <p>16 <b>(Exhibit 4 marked)</b></p> <p>17 Q. (By Mr. Wood) Let me show you what I've marked</p> <p>18 as Exhibit 4. Have you ever seen this document before?</p> <p>19 <b>A. I don't have specific recollection, but I'm</b></p> <p>20 <b>sure I did. I was CC'd on up here so I'm assuming I</b></p> <p>21 <b>received it.</b></p> <p>22 Q. Is that your correct e-mail address?</p> <p>23 <b>A. Yes.</b></p> <p>24 Q. Are you saying you don't recall receiving it,</p> <p>25 or you don't recall reading it at the time it was sent</p>  |
| <p style="text-align: right;">62</p> <p>1 <b>A. I believe that's when it was. That was the</b></p> <p>2 <b>first time it was brought to my attention.</b></p> <p>3 Q. And that's the first time you saw it?</p> <p>4 <b>A. I believe so, yes.</b></p> <p>5 Q. And just to be clear, when we say the</p> <p>6 lawsuit that Mr. Onorato filed, you're aware that</p> <p>7 Mr. Onorato initially filed a collective action</p> <p>8 lawsuit, right?</p> <p>9 <b>A. Correct.</b></p> <p>10 Q. And that's the lawsuit you're referring to,</p> <p>11 right?</p> <p>12 <b>A. Correct.</b></p> <p>13 Q. You've read this letter, correct?</p> <p>14 <b>A. Yes, I have.</b></p> <p>15 Q. And this is a letter in which Mr. Onorato's</p> <p>16 attorney, Mr. Brannon, complains that Mr. Onorato</p> <p>17 hasn't been paid overtime, right?</p> <p>18 <b>A. Yes.</b></p> <p>19 Q. And he also complains that Mr. Onorato has</p> <p>20 been harassed at work and that he was retaliated</p> <p>21 against, correct?</p> <p>22 <b>A. Yes.</b></p> <p>23 Q. Okay. Did you ever discuss that letter with</p> <p>24 either Lloyd Regner or Kevin Devoto?</p> <p>25 <b>A. Yes, I did.</b></p>  | <p style="text-align: right;">64</p> <p>1 or around that time?</p> <p>2 <b>A. No. I'm saying I don't have specific</b></p> <p>3 <b>recollection, but I'm sure I did.</b></p> <p>4 Q. All right. And you're just sure you did</p> <p>5 because you open your e-mails and read them?</p> <p>6 <b>A. For the most part.</b></p> <p>7 Q. All right. Well, this e-mail is from Rick</p> <p>8 Longo to Chris Onorato, right?</p> <p>9 <b>A. Correct.</b></p> <p>10 Q. And it says in the first line, Per the</p> <p>11 instruction of Mr. Lloyd Ward comes the following. And</p> <p>12 it goes on to say, You are to cease and desist any and</p> <p>13 all contact with any employees of ABC Debt Relief or</p> <p>14 the employees of Lloyd Ward &amp; Associates while we</p> <p>15 review the allegations of your threatened lawsuit. Any</p> <p>16 further contact with such employee shall be grounds for</p> <p>17 termination for violation of company policy. We will</p> <p>18 have finished review of your allegations within the</p> <p>19 statutory 15-day time period. Thank you for your</p> <p>20 cooperation.</p> <p>21 Were those the instructions that you</p> <p>22 gave?</p> <p>23 <b>A. I'm sure they were. At that point in time,</b></p> <p>24 <b>it would be Kyle and -- not Sarah -- who would have</b></p> <p>25 <b>been overseeing this. And when one of my associates</b></p> |

**LLOYD WARD****July 6, 2011**

17 (Pages 65 to 68)

|   |   |
|---|---|
| <p style="text-align: right;">65</p> <p>1 comes in, they'll usually give me an outline of what's</p> <p>2 going on and they'll say what do you think we should do</p> <p>3 and I'll make recommendations and they then relay them.</p> <p>4 Indirectly, but I'm sure we did.</p> <p>5 Q. All right. Do you know what Longo was</p> <p>6 referring to when he talks about the statutory 15-day</p> <p>7 time period?</p> <p>8 A. Not really, to be honest with you.</p> <p>9 Q. Okay.</p> <p>10 A. And again, the associates usually research</p> <p>11 these and they come in and they give me information and</p> <p>12 then I'll tell them what I think should be done and</p> <p>13 they'll go back. And so I'm sure that they looked it</p> <p>14 up at the time.</p> <p>15 Q. All right.</p> <p>16 MR. WARD: Can we break just one second?</p> <p>17 (Recess taken, 10:55 to 10:56)</p> <p>18 (Exhibit 5 marked)</p> <p>19 Q. (By Mr. Wood) Let me show you what I've marked</p> <p>20 as Exhibit 5, and ask you if you have seen this</p> <p>21 document before.</p> <p>22 A. And, again, I'm sure I have.</p> <p>23 Q. Do you know whether you read it around the</p> <p>24 time you received it?</p> <p>25 A. I don't have specific recollection, but I'm</p> | <p style="text-align: right;">67</p> <p>1 years when I hired him.</p> <p>2 Q. So he was a two-year lawyer, right?</p> <p>3 A. Yes.</p> <p>4 Q. You're saying he may have drafted this</p> <p>5 e-mail?</p> <p>6 A. I'm pretty sure he did.</p> <p>7 Q. And Mr. Harneck, a second-year lawyer -- or a</p> <p>8 second-year associate with your firm had the authority</p> <p>9 to send out e-mails on your behalf?</p> <p>10 A. Well, my guess is that he drafted this, sent</p> <p>11 it to me for my review for me to make any editing and</p> <p>12 then he forwarded it on out.</p> <p>13 Q. So you approved the e-mail before it was</p> <p>14 sent?</p> <p>15 A. Yes. It wouldn't have gone out under my</p> <p>16 e-mail if I hadn't.</p> <p>17 Q. And this says that -- in the first paragraph,</p> <p>18 it says, A full review of the client's pay history has</p> <p>19 been done and your client has been paid the equivalent</p> <p>20 of two and a one half wages which would be due to him</p> <p>21 based on minimum wages, since his employment, based on</p> <p>22 a 77-hour workweek.</p> <p>23 So I take it from that, that what</p> <p>24 you-all did was you looked at the number of hours he</p> <p>25 worked for the week, which was 77, and you -- and then</p>                 |
| <p style="text-align: right;">66</p> <p>1 sure I did.</p> <p>2 (Exhibit 6 marked)</p> <p>3 Q. (By Mr. Wood) Let me show you what's marked as</p> <p>4 Exhibit 6, and ask you if this is an e-mail that you</p> <p>5 sent to Mr. Onorato's attorney, Trey Brannon.</p> <p>6 A. I don't specifically recall the letter, but I</p> <p>7 like it.</p> <p>8 Q. You sent this?</p> <p>9 A. It's coming off of my e-mail, but this would</p> <p>10 actually been drafted by Kyle Harneck, who was in our</p> <p>11 office at that time.</p> <p>12 Q. How do you spell his last name?</p> <p>13 A. H-A-R-N-E-C-K.</p> <p>14 Q. He is an associate of yours?</p> <p>15 A. He was, yes.</p> <p>16 Q. Do you know when he graduated law school?</p> <p>17 A. Now I'm going to lie to you. I think he's</p> <p>18 been practicing almost three years now is my</p> <p>19 recollection.</p> <p>20 Q. Almost three years now?</p> <p>21 A. Uh-huh.</p> <p>22 Q. So at the time, he was maybe a first- or</p> <p>23 second-year lawyer?</p> <p>24 A. No. This was a year ago, so he would have</p> <p>25 been probably two years into it. He had about two</p>   | <p style="text-align: right;">68</p> <p>1 you looked at his compensation and you did the math.</p> <p>2 And you determined that based upon that, he had been</p> <p>3 paid not only minimum wage but he had been paid an</p> <p>4 appropriate amount for the hours that he worked over a</p> <p>5 40-hour week?</p> <p>6 A. No.</p> <p>7 Q. What's wrong with that? Did I misread the</p> <p>8 sentence?</p> <p>9 A. No.</p> <p>10 Q. That's what the sentence suggests happened,</p> <p>11 right?</p> <p>12 A. I don't think that's what the sentence</p> <p>13 suggests and that's not what we did.</p> <p>14 Q. What did I get wrong about what this sentence</p> <p>15 says?</p> <p>16 A. Here was part of the problem. Part of the</p> <p>17 problem was that there was not a consistent check-in</p> <p>18 and check-out that was being done when we went back and</p> <p>19 looked at the records. I mean, sometimes they would</p> <p>20 come in without checking in. Sometimes they would</p> <p>21 check in or not check out or check out and not check</p> <p>22 in. So what we attempted to do was go back and take a</p> <p>23 look to see when people had logged onto the computer</p> <p>24 because that was really the easiest way to do it.</p> <p>25 And I was -- and, again, the</p> |

**LLOYD WARD****July 6, 2011**

18 (Pages 69 to 72)

|  |   |
|--|---|
| <p style="text-align: right;">69</p> <p>1 determination was made that we didn't think there</p> <p>2 was -- we just said if he worked an average of 10 hours</p> <p>3 a day, 7 days a week, which I don't think it's</p> <p>4 accurate. But even if you did that, if you worked 7</p> <p>5 days a week, 10 hours a days, that's where we came up</p> <p>6 with the hour numbers.</p> <p>7 Q. That's only 70. That's 70, right?</p> <p>8 A. Yes.</p> <p>9 Q. So it would be 11 hours a day?</p> <p>10 A. Eleven hours a day.</p> <p>11 Q. Seven days per week?</p> <p>12 A. Seven days per week.</p> <p>13 Q. Right.</p> <p>14 A. And then all we did was we, then, took the</p> <p>15 compensation that was paid during that time period and</p> <p>16 did simple mathematics on it.</p> <p>17 Q. Well, how did you come up with a number of</p> <p>18 77? I mean, I know you told me it's 11 times 7, but</p> <p>19 how did you come up with that?</p> <p>20 A. That was a number that Rick Longo had given</p> <p>21 us on this when he went back and took a look at it.</p> <p>22 And, I mean, Rick can explain it to you, but he said</p> <p>23 that based upon whatever the criteria was at the time,</p> <p>24 he didn't think he'd ever worked more than 11 hours in</p> <p>25 any day. So even if we gave him the benefit of the</p> | <p style="text-align: right;">71</p> <p>1 Q. Mr. McLain?</p> <p>2 A. Uh-huh. Whoever sent this.</p> <p>3 Q. All right.</p> <p>4 A. And by the same token, we found out that --</p> <p>5 we were told -- and I'm not sure the documentation is</p> <p>6 there, but I was also told that Mr. Onorato had sent</p> <p>7 similar pictures in e-mails and things back to the</p> <p>8 gentleman that sent this to him, that this was a</p> <p>9 back-and-forth deal.</p> <p>10 And so at that point in time -- and that</p> <p>11 was another basis for the suspension, because, one, if</p> <p>12 you're going to suspend one person for doing it and the</p> <p>13 allegations are that it's two people doing it back and</p> <p>14 forth, you pretty much have to suspend both of them.</p> <p>15 So I would have told them that that was my</p> <p>16 recommendation at the time.</p> <p>17 Q. Do you have any e-mails to prove that</p> <p>18 Mr. Onorato did that?</p> <p>19 A. Not that I have seen, but I will tell you</p> <p>20 that that's what I have been told. And I was told that</p> <p>21 by Mr. -- the gentleman that sent this.</p> <p>22 Q. Well, is Mr. McLain now working for or --</p> <p>23 strike that.</p> <p>24 At some point, was Mr. McLain allowed to</p> <p>25 come back to work?</p> |
| <p style="text-align: right;">70</p> <p>1 doubt of the most hours we think he would have worked,</p> <p>2 and even if we sent it through seven days a week, that</p> <p>3 that's what the numbers came out to be.</p> <p>4 Q. All right. Does ABC have documents which</p> <p>5 will accurately reflect the number of hours that</p> <p>6 Mr. Onorato worked?</p> <p>7 A. To the extent the documents exist, I believe</p> <p>8 they have been produced.</p> <p>9 Q. Mr. Longo would be better able to interpret</p> <p>10 those than you?</p> <p>11 A. Yes, sir.</p> <p>12 Q. Mr. Onorato was suspended, correct?</p> <p>13 A. Yes.</p> <p>14 Q. So that an investigation could take place?</p> <p>15 A. Yes.</p> <p>16 Q. What did this investigation consist of?</p> <p>17 A. The investigation consisted of two items.</p> <p>18 One is they went back and they took a look at obviously</p> <p>19 the pay hour issue. The other was the fact that</p> <p>20 Mr. Onorato -- and I'm going to lie to you now -- but</p> <p>21 the gentleman who had sent the e-mail that you had --</p> <p>22 that had been attached to this letter, this</p> <p>23 gentleman -- once this was brought to the attention,</p> <p>24 then the gentleman who sent this was suspended for some</p> <p>25 time period.</p>                                     | <p style="text-align: right;">72</p> <p>1 A. I don't know.</p> <p>2 Q. Was Mr. Onorato ever allowed to come back to</p> <p>3 work?</p> <p>4 A. No.</p> <p>5 Q. Why?</p> <p>6 A. Because he filed a lawsuit. They're odd</p> <p>7 about those things. When you sue the company, claiming</p> <p>8 FSLA and claiming sexual harassment, and since it's</p> <p>9 employment at will, we elected to go ahead and leave</p> <p>10 him on indefinite stay.</p> <p>11 Q. And that was your recommendation?</p> <p>12 A. Yes. I don't want to get into</p> <p>13 attorney/client privilege issues, but, yeah, that would</p> <p>14 have been my recommendation.</p> <p>15 Q. You don't know how many hours Mr. Onorato</p> <p>16 worked; is that correct?</p> <p>17 A. No.</p> <p>18 Q. That is correct?</p> <p>19 A. That is correct.</p> <p>20 Q. Do you know whether Mr. Onorato was ever sent</p> <p>21 a letter or any kind of notification telling him that</p> <p>22 he's officially been terminated?</p> <p>23 A. I don't know. You'd have had to check the</p> <p>24 records that have been produced.</p> <p>25 Q. Is it your understanding that he has been</p>   |

**LLOYD WARD****July 6, 2011**

19 (Pages 73 to 76)

|  |   |
|--|---|
| <p style="text-align: right;">73</p> <p>1 terminated, though?</p> <p>2 <b>A. I think so.</b></p> <p>3 Q. All right. But the other witnesses would</p> <p>4 know more about that than you?</p> <p>5 <b>A. Yes.</b></p> <p>6 Q. Do you know whether ABC ever started paying</p> <p>7 overtime to the employees in Mr. Onorato's</p> <p>8 classification?</p> <p>9 <b>A. I don't know. You'd have to ask them.</b></p> <p>10 MR. WOOD: Can we take five minutes?</p> <p>11 (Recess taken, 11:06 to 11:26)</p> <p>12 Q. (By Mr. Wood) Do you know whether employees</p> <p>13 like Mr. Onorato, answer the telephone Lloyd Ward &amp;</p> <p>14 Associates?</p> <p>15 <b>A. No, I don't.</b></p> <p>16 Q. If he had, would there have been anything</p> <p>17 wrong with it?</p> <p>18 <b>A. No.</b></p> <p>19 Q. I assume Lloyd Ward &amp; Associates has a</p> <p>20 separate bank account from ABC?</p> <p>21 <b>A. Oh, yeah.</b></p> <p>22 Q. Did you ever write checks on ABC's account?</p> <p>23 <b>A. No. No access to it.</b></p> <p>24 Q. Did you ever purchase or lease property, real</p> <p>25 or personal, for ABC?</p>  | <p style="text-align: right;">75</p> <p>1 with creditors, do you know how the program worked? I</p> <p>2 guess let me ask it that way.</p> <p>3 <b>A. Yes.</b></p> <p>4 Q. Just give me a general explanation.</p> <p>5 <b>A. Sure. We use a company called New World,</b></p> <p>6 <b>which is a third-party escrow company. And we don't</b></p> <p>7 <b>have direct access to the bank accounts but we have the</b></p> <p>8 <b>ability to verify dollar amounts, for example, if they</b></p> <p>9 <b>have 3,000, 4,000, 5,000 in the account. And we have</b></p> <p>10 <b>the ability to contact the creditors and negotiate down</b></p> <p>11 <b>whatever the settlement amount might be.</b></p> <p>12 I can tell you that it varies based upon</p> <p>13 the issuer. For example, Discover Card, it's tough to</p> <p>14 negotiate. When you can get 80 cents on the dollar,</p> <p>15 it's a good deal. The average across the board is</p> <p>16 about 35 cents on the dollar that it gets negotiated</p> <p>17 down to, but there are some banks that we work with</p> <p>18 that, based on the circumstances, you can get it for as</p> <p>19 little as 20 cents on the dollar. It obviously varies</p> <p>20 from creditor to creditor. I can tell you Discover is</p> <p>21 a pain in the butt. I can tell you that the average</p> <p>22 is about 35 cents on the dollar that, across the board,</p> <p>23 we end up getting settlement done in.</p> <p>24 Q. Do you know whether ABC ever pulled credit</p> <p>25 reports on either potential clients or clients?</p> |
| <p style="text-align: right;">74</p> <p>1 <b>A. No.</b></p> <p>2 Q. You meaning the law firm.</p> <p>3 <b>A. No.</b></p> <p>4 Q. Did the law firm ever lend money to ABC?</p> <p>5 <b>A. No.</b></p> <p>6 Q. Was the law firm aware of how ABC paid its</p> <p>7 employees?</p> <p>8 <b>A. No. I'm assuming it's ADP, but I don't know</b></p> <p>9 <b>that.</b></p> <p>10 Q. Well, what I meant was whether they paid</p> <p>11 their employees on an hourly or salary basis.</p> <p>12 <b>A. No. Not until this lawsuit arose.</b></p> <p>13 Q. All right. You may have said this earlier,</p> <p>14 but were the owners of ABC Kevin Devoto and Lloyd</p> <p>15 Regner?</p> <p>16 <b>A. Those are the two I know of. There may be</b></p> <p>17 <b>others. I don't know. Those are my contacts.</b></p> <p>18 Q. Would the three of you sometimes meet to</p> <p>19 discuss ABC business?</p> <p>20 <b>A. Only in respect to marketing for us or</b></p> <p>21 <b>lawsuits that might be pending, things along that line.</b></p> <p>22 Q. Do you know the details of what you were able</p> <p>23 to negotiate on behalf of the debtors -- let's strike</p> <p>24 that. Let me start over.</p> <p>25 The debt negotiations that took place</p> | <p style="text-align: right;">76</p> <p>1 <b>A. No.</b></p> <p>2 Q. You don't know?</p> <p>3 <b>A. I don't know, but I would assume they don't</b></p> <p>4 <b>because that's one of the things we tell them not to</b></p> <p>5 <b>do.</b></p> <p>6 Q. Did your law firm ever do that?</p> <p>7 <b>A. No.</b></p> <p>8 Q. Do you know whether Kevin Devoto ever</p> <p>9 encouraged the ABC employees to represent to potential</p> <p>10 clients that the service being offered was attorney</p> <p>11 debt negotiation?</p> <p>12 <b>A. I'm sure he did. That was what was being</b></p> <p>13 <b>offered.</b></p> <p>14 Q. Was it your recommendation that he do that?</p> <p>15 <b>A. It wasn't my recommendation, but that's what</b></p> <p>16 <b>I would expect. In any of our marketing companies, I</b></p> <p>17 <b>expect them to market our services. So if they're not</b></p> <p>18 <b>marketing our services, they're not going to be a</b></p> <p>19 <b>marketing company for long.</b></p> <p>20 Q. Did you ever tell any Crown employee not to</p> <p>21 hire Chris Onorato?</p> <p>22 <b>A. I don't even know who Crown is, so I would</b></p> <p>23 <b>have to say no.</b></p> <p>24 Q. Do you know anyone named Corey Harbert?</p> <p>25 <b>A. No.</b></p>  |

**LLOYD WARD****July 6, 2011**

20 (Pages 77 to 80)

|    |  |    |   |
|----|--|----|---|
| 77 | <p>1 MR. WOOD: Give me just one more minute.</p> <p>2 (Recess taken, 11:32 to 11:34)</p> <p>3 MR. WOOD: Pass the witness.</p> <p>4 MR. WARD: Reservation.</p> <p>5 (Proceedings concluded, 11:34)</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>  | 79 | <p>1 I, LLOYD EUGENE WARD, have read the foregoing</p> <p>2 deposition and hereby affix my signature that same is</p> <p>3 true and correct, except as noted above.</p> <p>4</p> <p>5</p> <p>6</p> <p>7 _____</p> <p>8 LLOYD EUGENE WARD</p> <p>9</p> <p>10 THE STATE OF _____ )</p> <p>11 COUNTY OF _____ )</p> <p>12</p> <p>13 Before me, _____,</p> <p>14 personally appeared LLOYD EUGENE WARD, known to me (or</p> <p>15 proved to me under oath or through</p> <p>16 _____) (description of identity card or</p> <p>17 other document) to be the person whose name is</p> <p>18 subscribed to the foregoing instrument and acknowledged</p> <p>19 to me that they executed the same for the purposes and</p> <p>20 consideration therein expressed.</p> <p>21</p> <p>22 Given under my hand and seal of office this</p> <p>23 _____ day of _____, _____.</p> <p>24</p> <p>25</p> <p>26 _____</p> <p>27 NOTARY PUBLIC IN AND FOR</p> <p>28 THE STATE OF _____</p> <p>29</p> <p>30</p>  |
| 78 | <p>1 CHANGES AND SIGNATURE</p> <p>2 WITNESS: LLOYD EUGENE WARD July 6, 2011</p> <p>3 PAGE LINE CHANGE REASON</p> <p>4 _____</p> <p>5 _____</p> <p>6 _____</p> <p>7 _____</p> <p>8 _____</p> <p>9 _____</p> <p>10 _____</p> <p>11 _____</p> <p>12 _____</p> <p>13 _____</p> <p>14 _____</p> <p>15 _____</p> <p>16 _____</p> <p>17 _____</p> <p>18 _____</p> <p>19 _____</p> <p>20 _____</p> <p>21 _____</p> <p>22 _____</p> <p>23 _____</p> <p>24 _____</p> <p>25 _____</p> | 80 | <p>1 STATE OF TEXAS *</p> <p>2 COUNTY OF DALLAS *</p> <p>3 This is to certify that I, Deborah Marks,</p> <p>4 Certified Shorthand Reporter, in and for the State of</p> <p>5 Texas, certify that the foregoing oral deposition of</p> <p>6 LLOYD EUGENE WARD, reported stenographically by me at</p> <p>7 the time and place indicated, said witness having been</p> <p>8 placed under oath by me, and that the oral deposition</p> <p>9 is a true record of the testimony given by the witness.</p> <p>10 I further certify that I am neither counsel for</p> <p>11 nor related to any party in the case and am not</p> <p>12 financially interested in its outcome.</p> <p>13 Given under my hand on this the _____ day of</p> <p>14 _____, 2011,</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20 _____</p> <p>21 Deborah Marks, Texas CSR 645</p> <p>22 Expiration date: 12/31/12</p> <p>23 Firm No. 526</p> <p>24 Corporate Plaza, Suite 152</p> <p>25 4950 N. O'Connor Road</p> <p>Irving, Texas 75062</p> <p>972.719.5000</p> <p>972.717.3985</p> |

**CSI GLOBAL DEPOSITION SERVICES****972-719-5000**

App. 38